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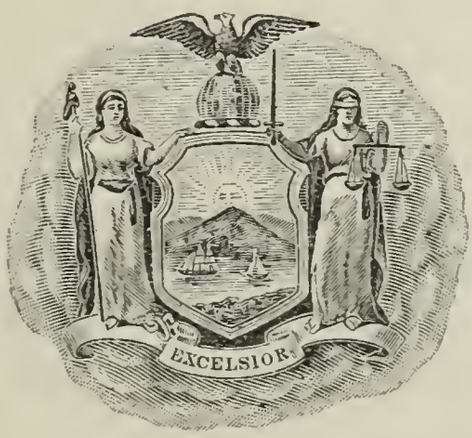
OF THE

STATE OF NEW YORK

ONE HUNDRED AND THIRTY-SIXTH SESSION

1913

VOL. XI.— No. 25 — PART 4



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FIFTY-FOURTH

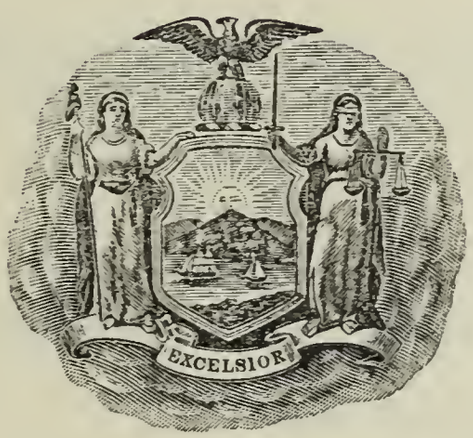
ANNUAL REPORT

OF THE

Superintendent of Insurance

OF THE

STATE OF NEW YORK



PART V

Laws of 1913—Court of Appeals Decisions—Opinions of Attorney-General—Rulings and Opinions on Life Insurance Laws—Reports on Examination—Special Reports—Fees and Taxes

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OF THE

SUPERINTENDENT OF INSURANCE

STATE OF NEW YORK

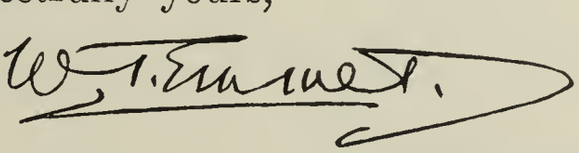
INSURANCE DEPARTMENT

ALBANY, *October* 13, 1913

Hon. ALFRED E. SMITH, *Speaker of the Assembly:*

Sir.— The Annual Report of the Superintendent of Insurance, Part V, containing 1913 amendments to the Insurance Law, decisions of the Court of Appeals, opinions of the Attorney-General, rulings and opinions on life insurance laws, reports on official examination, miscellaneous special reports, and schedules of fees and taxes charged New York companies by other states, is herewith transmitted to the Legislature.

Respectfully yours,



Superintendent

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MEMORANDUM

CONCERNING

BROKERS' BUREAU
LICENSING OF PUBLIC ADJUSTERS
RATE-MAKING ASSOCIATIONS BUREAU
COMPLAINT BUREAU

Brokers' Bureau

Under the statute (section 143 of the Insurance Law) no person, partnership, association or corporation can lawfully engage in the business of insurance brokerage or receive commissions for negotiating insurance or placing policies on risk in this State, unless such broker shall first procure from the Superintendent of Insurance a certificate of authority so to act; and no insurance company or agent thereof can lawfully pay commissions to any person, not an authorized agent of such company, except to a duly authorized insurance broker.

Pursuant to the recommendations contained in the report of the Legislative Committee, created for the purpose of investigating the affairs of insurance companies, other than those doing life insurance business, which was presented to the Legislature on February 1, 1911, a bill was presented to the Legislature providing for the licensing of agents and brokers. This bill, as originally introduced, required the Superintendent of Insurance to issue certificates of authority to act as broker to persons who were trustworthy and competent to transact the business of insurance brokerage. The bill was, however, amended before passage so that when enacted as chapter 748 of the Laws of 1911 it provided for the issue of such certificates to those persons only who were engaged or intended to engage principally in the insurance brokerage business or in such business in connection with a real estate agency or brokerage business.

Forms of application for brokers' certificates of authority were prepared in accordance with the provisions of this statute and

furnished to applicants, and a total of 11,818 applications were filed thereunder. In passing upon these applications, it appeared that the practice of agents of insurance companies, particularly in the smaller cities and villages of the State, in placing surplus business as brokers with the agents of other companies and receiving commissions thereon, would be illegal under the provision of the statute limiting the issue of brokers' certificates of authority to persons principally engaged in the insurance brokerage business or in such business in connection with a real estate agency or brokerage business; and that an amendment of the statute was necessary in order to remedy this defect. Accordingly the statute was amended by chapter 1 of the Laws of 1912, so as to permit the issue of brokers' certificates of authority to persons engaged or intending to engage principally in the insurance business, or in such business in connection with a real estate agency or brokerage business.

Under the statute as amended, it appeared that substantially all persons having a real interest in the insurance business could qualify for brokers' certificates of authority, and 10,638 certificates were duly issued. It developed, however, that certain individuals who had theretofore engaged in the business of insurance brokerage in connection with some other calling could not conscientiously make the statements required by the statute, and their applications for brokers' certificates of authority were necessarily denied. This at once raised the question of the constitutionality of the statute limiting the issuance of brokers' certificates of authority in this manner, and the question was determined adversely to the statute by the Court of Appeals in November, 1912.

Prior to the presentation to the courts of this constitutional question, the Legislature again, by chapter 172 of the Laws of 1912, amended the statute, incorporating therein the original recommendation made by the Legislative Investigating Committee that certificates of authority be issued to persons, partnerships, associations and corporations who were trustworthy and competent to transact the insurance brokerage business. This test applied to all applicants; and, in addition thereto, the test of principal occupation was retained and prescribed for applicants residing in cities. The decision of the Court of Appeals, however,

made necessary a further amendment of the statute, eliminating therefrom the unconstitutional test of principal occupation. Accordingly the statute was again amended by chapter 12 of the Laws of 1913, which became section 143 of the Insurance Law. From this amendment the unconstitutional provision of the former statute was omitted — the Superintendent of Insurance being required thereby to issue brokers' certificates of authority to persons, partnerships, associations and corporations, trustworthy and competent to transact the insurance brokerage business, without any other limitation or restriction.

Under the provisions of the statute as amended, forms of application have been prepared and furnished to applicants, and on July 1, 1913, 8,681 such applications had been received. These forms of application, requiring answers to some twenty-five or thirty questions, were framed to develop, so far as possible, the facts relative to the education and previous business experience of applicants and their knowledge of the insurance brokerage business. Each applicant has been subjected to such further investigation as the facts set forth in his application seemed to require. In addition, applicants residing in the Metropolitan District and the larger cities have been required to submit to oral examinations supplemental to their respective applications.

The task of examining these applications and conducting investigations, recording the results thereof and issuing the certificates of authority required by the statute, involving an enormous amount of executive and clerical work, has necessitated the organization of a Brokers' Bureau comprising several examiners and investigators together with clerical and stenographic assistants. This Bureau is organized in two divisions — an examining division at New York, engaged in examining all applications and investigating all applicants, and a record bureau at Albany for the receipt of applications and fees, the making of necessary records, the issue of certificates, the conducting of correspondence and other clerical work. Although as a result of the investigations made only twelve applications have thus far been rejected, it would appear that the high standard of fitness prescribed by the statute and the seaching inquiry into the competency and trustworthiness of the applicants which has been made thereunder have

deterred many hundreds of individuals, formerly engaged in the business of insurance brokerage, from making application for certificates of authority. This is shown in particular by the fact that the number of applications for brokers' certificates of authority received in the year 1913 is less by 3,000 than the number of applications received for the year 1912, when the only test was that the applicant's principal occupation should be the insurance business.

All brokers' certificates of authority issued by the Superintendent of Insurance under section 143 of the Insurance Law are expressly made subject to revocation for cause, which includes violations of the Insurance Law, fraudulent practices, incompetency and untrustworthiness. The records of the brokers which are contained in their respective applications form not only an index to the persons engaged in this business but the foundation for any investigation which may be made necessary by complaints against them for misconduct as brokers; and this power of revocation, together with this record, it is expected, will operate indirectly to prevent the misconduct which could be so easily punished by depriving the offender of his means of livelihood.

LICENSING OF PUBLIC ADJUSTERS

Chapter 522 of the Laws of 1913, which became law on the 15th day of May, 1913, provides that

> No person, partnership, association or corporation shall, after July first, nineteen hundred and thirteen, act as a public adjuster, or receive for or because of services rendered in the adjustment of any claim or claims for loss or damage by fire under a policy or policies of insurance upon property within this state any money or commission or other thing of value, without first procuring a certificate of authority to act as a public adjuster from the superintendent of insurance.
>
> The superintendent of insurance shall issue such adjuster's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact business as a public adjuster in such manner as to safeguard the interests of the public.

This statute, which comprises section 138-a of the Insurance Law, is identical in its provisions and operation with the so-called "Brokers' License Law" (section 143 of the Insurance Law) and was enacted in response to the popular demand for the regula-

tion by the State of the business or calling of public adjuster of loss or damage by fire, the necessity of which has been demonstrated by the recent revelations concerning the so-called "Arson Trust." The peculiar character of the work of a public adjuster and the many opportunities which it offers for injury to the public and for private gain through conspiracy and confederation with criminals and incendiaries makes this occupation pre-eminently subject to governmental regulation.

Pursuant to the provisions of this section, forms of application for certificates of authority as public adjusters were prepared, similar in most respects to the forms of application which were prepared and used in connection with the issue of broker's certificates of authority. The total number of applications which had been received on July 1, 1913, was seventy. These applications were framed with a view to ascertaining the previous history and experience of the applicant and his competency and trustworthiness to transact the business of a public adjuster in such a manner as to safeguard the interest of the public. Each applicant is being subjected to such further investigation as the facts developed by the application seem to require. In particular, all applicants residing in the Metropolitan District are being examined personally and their relations with insurance brokers, through whom they appear to obtain the greater part of their business, are being carefully investigated; and in each case specific inquiry is being made of the district attorney and Fire Marshal for the purpose of obtaining such information as these officers may be able to furnish with reference to the applicant.

RATE-MAKING ASSOCIATION BUREAU

Section 141, which was added to the Insurance Law pursuant to the recommendations of the Legislative Investigating Committee in 1911, charged the Superintendent of Insurance with the supervision of rate-making bodies. The statute originally applied only to rates for fire insurance on property located in this State. The Legislature of 1912, however, amended the law so as to include all rating agencies except life and marine. For the systematic handling of the work devolving upon the Department under this law a separate bureau was created and placed in charge

of an examiner with one assistant. Other assistants have been drawn from the staff of examiners from time to time as the necessity arose.

It has been definitely ascertained that there are at present fourteen active rating bodies subject to the provisions of the law. Seven of these make fire insurance rates, two make rates on plate glass, two make rates on surety bonds, one fixes workmen's compensation rates, one burglary rates, and one rates on sprinkler leakage insurance. In addition to these there exist two other rating bodies that are not active at the present time.

The following schedule shows the examinations which have been made to date by this bureau:

UNDERWRITERS' ASSOCIATION OF NEW YORK STATE: Report submitted but not filed pending a supplemental examination.

NEW YORK FIRE INSURANCE EXCHANGE: Report filed.

BURGLARY INSURANCE UNDERWRITERS' ASSOCIATION: Report not yet submitted.

PLATE GLASS UNDERWRITERS' ASSOCIATION: Report filed.

PLATE GLASS SERVICE AND INFORMATION BUREAU: Report filed.

EXCISE REINSURANCE ASSOCIATION: Report filed.

SPRINKLER LEAKAGE CONFERENCE: Report not yet submitted.

THE WORKMEN'S COMPENSATION SERVICE AND INFORMATION BUREAU: Report filed.

THE AUTOMOBILE UNDERWRITERS' CONFERENCE: Examined during the latter part of 1911 and report filed early in 1912.

The two inactive bodies have also been examined and reports thereon filed.

The conditions disclosed by the examinations thus far made conclusively prove that there existed an urgent need of a proper supervision of the rating functions by the State.

The rates and rules of the Underwriters' Association are made effective through the operation of local boards, of which there are approximately one hundred. Some of these are incorporated and others are voluntary associations. Many formerly made rates, but the rate-making functions appear to have been recently relinquished to the Underwriters' Association, although the authority of the association over the local boards is rather questionable.

None of the local boards have been examined. In this connection attention is called to the fact that under section 141 of

the Insurance Law the Superintendent had authority only by inference to examine these bodies. In order to bring them under his jurisdiction it was, therefore, necessary to amend the law by the addition of sections 139 and 140, by which all allied or affiliated bodies of rate-making associations were made subject to examination.

The examination of the two plate glass insurance associations operating in this State disclosed that they are rate-recording bodies rather than rate-making bodies, their apparent purpose being to eliminate competition. The reports indicate that these bodies exerted insufficient influence in the reduction of expenses and that the rates were based upon insufficient data.

In addition to vesting the Superintendent with the duty of examining rating bodies, section 141 also prohibits such bodies from fixing rates which discriminate unfairly between risks of essentially the same hazard. Up to the present time some one hundred and forty odd complaints, mostly concerning fire insurance rates, have been filed with the Superintendent under this provision of the law. These complaints covered a wide range of conditions from the rating of individual risks to the ratings affecting entire sections and counties and on subjects varying from matters of form or classification to matters of construction or municipal fire protection. Thorough investigations were made in every case submitted to the Department. Allegations of excessive rates formed the gist of most of the complaints, which in numerous instances upon investigation failed to develop the unfair discrimination which would bring them within the jurisdiction of the Department. Very few formal orders to remove discriminations were issued pursuant to the law, as in a number of the cases where charges of discrimination were found to be based in fact the associations or companies affected readily agreed to correct the conditions complained of. The moral effect of the law was further in evidence in the satisfactory settlement of conditions not strictly within the powers of the Superintendent to correct, the Department, however, using its good offices to bring about amicable adjustment of matters affecting private, as well as public, interests. The enactment of section 141 has introduced new conditions into the affairs of rate-making associations, and

imposed additional obligations upon them, and it is a hopeful sign that such organizations are as rapidly as possible adapting themselves to the new order of affairs.

COMPLAINT BUREAU

Although the Insurance Department was organized for the purpose of supervising the business of insurance generally and for the benefit and protection of the whole people, the fact has long been recognized, and is constantly receiving greater recognition, that the Department has also a function to perform in the protection and relief of individual citizens in cases where they have personal need of advice or assistance in connection with insurance matters.

Complaints have always been cheerfully received by the Department, and the necessary inquiries which they have suggested have heretofore been made by one or another examiner or other employee within whose particular province the matter involved seemed most nearly to fall. The number of such complaints has naturally increased from year to year. Moreover, the work of following up the investigations made in connection with complaints, as well as the making of such investigations, proved to be an interruption of the regular work of the various examiners assigned to such tasks. Accordingly, on June 1, 1912, a permanent bureau was created for the purpose of investigating such complaints as might be referred to it. This bureau is in charge of an examiner who is assisted by two confidential investigators, and its work is conducted wherever necessary in co-operation with the district attorneys and the United States post-office authorities. The cases referred to it for investigation involve complaints by policyholders against companies for unfair settlements and other grievances, complaints by the insuring public and insurance companies against dishonest and incompetent brokers and agents, the sale of unauthorized insurance within this State, rebating and miscellaneous complaints. It is thus possible to make and keep a complete record of all complaints and investigations for future reference, and, in addition, the problem presented by the frequent necessity of following up rulings and orders made by the Superintendent for the relief of

complainants, where such relief seems warranted, has practically been solved by the creation of this bureau.

The following shows the number of complaints received and investigated and the results accomplished by the bureau so nearly as such information can be given in schedule form:

Schedule of Complaints

No. of complaints	Nature	Closed	Under investigation	Results
117	Placing unauthorized insurance	109	8	97 complaints upheld. 93 letters of warning sent. 4 convictions obtained. 5 cases referred to district attorneys who failed to secure indictments. Agents' and brokers' license bureaus furnished with results of investigations.
130	Loss and claim adjustments	120	10	47 complaints upheld and claims paid.
66	Failure of brokers and agents to remit to insurance companies premiums collected	62	4	59 complaints upheld. Warrants for arrest secured covering 37 cases. Agents' and brokers' license bureaus furnished with results of investigations.
19	Failure to repay unearned premium	19	..	12 complaints upheld and premiums returned.
25	Rebating	22	3	7 complaints upheld but evidence insufficient to warrant prosecution.
41	Companies transacting business without authority..	31	10	20 complaints upheld; 3 cases referred to Attorney-General; 1 company voluntarily retired; licenses of 4 Delaware mutual fire insurance companies cancelled upon evidence of fraudulent character of their operations submitted by this bureau.
8	Refusal insurance company to purchase or cancel policies	8	..	8 complaints not upheld.
7	"Twisting"	6	1	6 complaints upheld, warning given.
13	Misconduct of agents.....	13	..	9 complaints upheld; agents' license bureau furnished with results of investigations.
43	Miscellaneous complaints..	39	4	26 complaints upheld.
23	Information furnished.....	23	..	.....
492		452	40	

INSURANCE LAWS

OF

1913

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NOTE

A consolidation of statutes relating to insurance corporations became law February 17, 1909, as chapter twenty-eight of the Consolidated Laws, being chapter thirty-three of the Laws of 1909. A number of amendments were passed during the 1909, 1910, 1911 and 1912 sessions of the Legislature and were printed in Part V of the respective years. Following are amendments passed during the regular session of 1913 and approved by the Governor, and a list of the chapter titles may be found on page 171 of this volume.

Chap. 7.

AN ACT to amend the insurance law, in relation to agents.

Became a law February 10, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and forty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter seven hundred and forty-eight of the laws of nineteen hundred and eleven, and amended by chapters one and one hundred and seventy-two of the laws of nineteen hundred and twelve, is hereby repealed.

§ 2. Such chapter is hereby amended by inserting therein a new section to be section one hundred and forty-two thereof to read as follows:

§ 142. **Agent's certificate of authority.** The term "agent" in this section shall include an acknowledged agent or any person, partnership, association or corporation who shall in any manner aid in transacting the insurance business of any underwriter, incorporated or unincorporated, by negotiating for or placing risks or delivering policies or collecting premiums, but shall not include the officers and salaried employees of any such underwriter, who do not receive commissions. Every underwriter, incorporated or unincorporated, engaged in the transaction of any business of insurance within this state, upon the employment or termination of the employment of any person, partnership, association or corporation to act as its agent within this state, shall certify such fact together with the name and address of such agent to the superintend-

ent of insurance; and shall also annually during the month of January, in such form as the superintendent of insurance shall prescribe, file with him a list of the names and addresses of all its agents authorized to act as such within the state. No person, partnership, association or corporation shall as agent act for any such underwriter in this state, unless such underwriter shall have fully complied with the provisions of this chapter nor unless such agent shall have procured an agent's certificate of authority from the superintendent of insurance. The superintendent of insurance shall file in his office evidence of the issuance of every such certificate to an agent, together with evidence of such agent's authority from each underwriter for whom he is to act. An agent's certificate of authority shall be issued only upon application filed with the superintendent of insurance, in such form as the superintendent of insurance shall prescribe. Every such certificate shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if the application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year such agent may continue to act as such under such expired certificate until the issuance to him by the superintendent of insurance of a new certificate or until five days after the superintendent of insurance shall have refused to renew such certificate and shall have served notice of such refusal on such agent. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post office, postage prepaid, directed to the applicant at the place of residence or business specified in his application. An underwriter, authorized to transact the insurance business within this state, who shall employ as agent any person, partnership, association or corporation not having an agent's certificate of authority from the superintendent of insurance authorizing him to act as agent shall not authorize or permit such agent under his contract of employment to solicit insurance or issue policies for such underwriter until such agent shall have procured a certificate of authority as required by this section. An agent's certificate of authority shall be revoked by the superintendent of insurance if, after due investigation and a hearing either before himself or before any salaried employee of the

insurance department designated by him whose report he may adopt, he determines that the holder of such certificate has violated any provision of this chapter, or has been guilty of fraudulent practices. No individual, corporation, partnership or association whose certificate of authority is so revoked, nor any partnership, or association of which such individual is a member, nor any corporation of which he is an officer, shall be entitled to any certificate of authority under this section for one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer of the corporation shall be entitled to any such certificate for the same period of time, if the superintendent of insurance determine that such member or officer was personally at fault in the matter on account of which the certificate was revoked. The action of the superintendent of insurance in granting or refusing to grant or renew a certificate of authority or in revoking or refusing to revoke such certificate under this section shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any agent issued under this section and such agent shall apply for a writ of certiorari to review such action, the certificate of authority of such agent shall be deemed to be in full force and effect for all purposes including the right to renewal until the final determination of such certiorari proceedings and all appeals therefrom.

This section shall not apply to any contract of life insurance, nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter.

Any person, partnership, association or corporation violating any provision of this section shall, in addition to any other pen-

alty in this chapter provided, forfeit to the people of the state five hundred dollars.

Nothing in this chapter shall be so construed as to prevent any underwriter authorized to do business within this state from authorizing a broker to whom a certificate of authority has been issued under this chapter to act as agent of such underwriter for the collection of premiums.

§ 3. This act shall take effect twenty days after it becomes a law.

Chap. 9.

AN ACT to amend the insurance law, in relation to the revocation of the certificate of authority of a foreign insurance corporation.

Became a law February 12, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section thirty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 32. **Renewal of certificate of authority; revocation.** The certificate of authority granted by the superintendent of insurance, pursuant to the provisions of this chapter, to a foreign insurance corporation to do business in this state, shall not remain in force for a longer period than one year, and all such certificates shall expire on the thirtieth day of April of the year next following the date of issue. The statements and evidences of investment required by this chapter to be filed in the office of the superintendent before a certificate of authority is granted to a foreign corporation, shall be renewed from year to year, in such manner and form as the superintendent may require, with an additional statement of the amount of premiums received and losses sustained in this state during the preceding year so long as such authority continues. If the superintendent is satisfied that the

capital, securities and investments remain secure, and that it may be safely intrusted with a continuance of its authority to do business, he shall grant a renewal of such certificate of authority. Whenever in the judgment of the superintendent of insurance it will best promote the interests of the people of this state, he may, after a hearing on notice, revoke the certificate of authority of a foreign corporation to do business in this state, prior to its expiration under this section. The action of the superintendent of insurance in revoking the certificate of authority of a foreign corporation shall be subject to review by writ of certiorari.

§ 2. This act shall take effect immediately.

Chap. 12.

AN ACT to amend the insurance law, in relation to brokers.

Became a law February 13, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by inserting therein a new section, to be section one hundred and forty-three thereof, to read as follows:

§ 143. **Brokers' certificate of authority.** The term "broker" in this section shall include any person, partnership, association or corporation who, for money, commission or anything of value, acts or aids in any manner on behalf of the insured in negotiating contracts of insurance or placing risks or taking out insurances, including surety bonds. No underwriter, authorized or permitted to do business in this state, or agent thereof, shall pay any money or commission or give or allow anything of value to any person, partnership, association or corporation not a duly authorized agent of such underwriter for or because of his or its negotiating a contract of insurance or placing a risk or taking out insurance or a surety bond, unless such person, partnership, association or cor-

poration is authorized to act as a broker. No person, partnership, association or corporation shall, after July first, nineteen hundred and thirteen, act as broker in the solicitation or procurement of applications for insurance or receive for or because of negotiating a contract of insurance or placing a risk or taking out insurance including a surety bond any money or commission or other thing of value from any underwriter authorized or permitted to do an insurance business in this state, or from an agent of any such underwriter, without first procuring a certificate of authority so to act from the superintendent of insurance.

The superintendent of insurance shall issue such broker's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact an insurance brokerage business in such manner as to safeguard the interests of the insured.

A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate, each of whom must be qualified to obtain a certificate to act as brokers. The fee to be paid to the superintendent of insurance by the applicant for such broker's certificate at the time the application is made, and annually for the renewal thereof, shall be ten dollars, if the applicant's principal place of business is in a city and two dollars if not in a city. If the applicant be a corporation, partnership or association such fee shall be paid for each person specified in the certificate.

Every broker's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintendent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if

such notice is deposited in the post-office postage prepaid, directed to the applicant at the place of business specified in the application.

Before any broker's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its officers and directors; (2) whether any certificate of authority as agent or broker has been issued theretofore by the superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers; (4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the insurance brokerage business in such manner as to safeguard the interests of the assured.

An application for a broker's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as a broker.

If an application for a certificate of authority under this section be filed in the year nineteen hundred and thirteen within sixty days after this section takes effect the applicant and the persons named in the application may, notwithstanding the pro-

visions of this section, act as brokers until notice of rejection of the application shall have been served as herein provided with respect to renewal applications.

A corporation, association or partnership to whom a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as brokers, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as a broker.

A certificate issued under this section shall be revoked by the superintendent, if after due investigation and a hearing either before him or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate (1) has violated any provisions of the chapter by any act or thing done in respect to insurance for which such certificate is required; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the insurance brokerage business for which such certificate of authority shall have been granted by reason of anything done or omitted in or about such business under the authority of such certificate.

No individual, partnership, association or corporation whose certificate of authority is so revoked nor any partnership or association of which such individual is a member, nor any corporation of which he is an officer or director shall be entitled to any certificate of authority under this section for a period of one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the

partnership or association or officer or director of the corporation shall be entitled to such a certificate for the same period of time, if the superintendent of insurance determines and finds that such member or officer or director was personally at fault in the matter on account of which the certificate was revoked. The holder of any such certificate or any person aggrieved may file with the superintendent of insurance a verified complaint setting forth facts from which it shall appear that any such certificate ought to be revoked. The superintendent must thereupon, after investigation and a hearing as herein provided, determine whether such certificate shall be revoked.

If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post-office postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate.

The action of the superintendent of insurance in granting or refusing to grant or to renew a certificate of authority or in revoking or refusing to revoke such a certificate shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any such certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any broker issued under this section and such broker shall apply for a writ of certiorari to review such action, the certificate of authority of such broker shall be deemed to be in full force and effect for all purposes, including the right to renewal, until the final determination of such certiorari proceedings and all appeals therefrom, provided the fee for such certificate be paid.

This section shall not apply to any contract of life insurance nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property located without this state, nor to contracts made by persons,

partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter.

Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 2. This act shall take effect twenty days after it becomes a law.

Chap. 21.

AN ACT to amend the insurance law, in relation to organizations in assisting in establishing insurance rates.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations constituting chapter twenty-eight of the consolidated laws," is hereby amended by inserting a new section to be one hundred and forty and to read as follows:

§ 140. **Organizations for assisting in establishing insurance rates.** Every corporation, association, bureau or board which now exists or hereafter may be formed, and every person who maintains or hereafter may maintain a bureau or office, for the purpose of assisting any underwriting corporation, association, bureau or person in formulating, fixing, promulgating, applying or maintaining a rate on property or risks of any kind located in this state, shall file with the superintendent of insurance a copy of the articles of agreement, association or incorporation and the by-laws and all amendments thereto under which such person, association, bureau or board operates or proposes to operate, together with his or its business address, as well as such other information concerning such organization and its operations as may be required by the superintendent. Every such person, corporation,

association, bureau or board, whether before or after filing of the information specified in the last preceding paragraph, shall be subject to the visitation, supervision and examination of the superintendent of insurance, who shall cause to be made an examination thereof as often as he deems it expedient. For this purpose he may appoint as examiners one or more competent persons, and upon such examination, he, his deputy or any examiner authorized by him shall have all the powers given to the superintendent, his deputy or any examiner authorized by him by section thirty-nine of this chapter, including the power to examine under oath the officers or agents and all persons deemed to have material information regarding the business of or manner of operation of every such person, corporation, association, bureau or board.

This section shall not apply to any contract of life insurance, nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property or risks located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter, but it shall apply to all other forms of insurance mentioned in any article of this chapter.

§ 2. This act shall take effect immediately.

Chap. 22.

AN ACT to amend the insurance law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of authority from the superintendent of insurance.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corpora-

tions, constituting chapter twenty-eight of the consolidated laws," is hereby amended by inserting therein a new section, to be section one hundred and thirty-eight-a, to read as follows:

§ 138-a. **Public adjusters; certificate of authority.** No person, partnership, association or corporation shall, after July first, nineteen hundred and thirteen, engage in the business of adjusting loss or damage by fire under a policy or policies of insurance upon property within this state, or advertise, solicit business or hold himself out to the public as such an adjuster, without first procuring a certificate of authority so to act from the superintendent of insurance.

The superintendent of insurance shall issue such adjuster's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact such business in such manner as to safeguard the interests of the public.

A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate, each of whom must be qualified to obtain a certificate to act as adjusters. The fee to be paid to the superintendent of insurance by the applicant for such adjuster's certificate at the time the application is made, and annually for the renewal thereof, shall be twenty-five dollars. If the applicant be a corporation, partnership or association such fee shall be paid for each person specified in the certificate.

Every adjuster's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintendent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and, if by mail, shall be deemed complete if such

notice is deposited in the post-office postage prepaid, directed to the applicant at the place of business specified in the application.

Before any adjuster's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its officers and directors; (2) whether any certificate of authority as agent, broker or adjuster has been issued theretofore by the superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association, whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers; (4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the business of adjuster in such manner as to safeguard the interests of the public.

An application for an adjuster's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as an adjuster.

If an application for a certificate of authority under this section be filed in the year nineteen hundred and thirteen within sixty days after this section takes effect the applicant and the persons named in the application may, notwithstanding the provisions of this section, act as public adjuster until notice of rejection of the

application shall have been served as herein provided with respect to renewal applications.

A corporation, association or partnership to whom a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as adjusters, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as an adjuster.

A certificate issued under this section shall be revoked by the superintendent, if after due investigation and a hearing either before him or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate (1) has violated any provision of the chapter by any act or thing done in respect to insurance for which such certificate is required; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the business for which such certificate of authority shall have been granted by reason of anything done or omitted in or about such business under the authority of such certificate.

No individual, partnership, association or corporation whose certificate of authority is so revoked nor any partnership or association of which such individual is a member, nor any corporation of which he is an officer or director shall be entitled to any certificate of authority under this section for a period of one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer or director of the corporation shall be entitled to such a certificate for the same period of time, if the superin-

tendent of insurance determines and finds that such member or officer or director was personally at fault in the matter on account of which the certificate was revoked. The holder of any such certificate or any person aggrieved may file with the superintendent of insurance a verified complaint setting forth facts from which it shall appear that any such certificate ought to be revoked. The superintendent must thereupon, after investigation and a hearing as herein provided, determine whether such certificate shall be revoked.

If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post-office postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate.

The action of the superintendent of insurance in granting or refusing to grant or to renew a certificate of authority or in revoking or refusing to revoke such a certificate shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any such certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any adjuster issued under this section and such adjuster shall apply for a writ of certiorari to review such action, the certificate of authority of such adjuster shall be deemed to be in full force and effect for all purposes, including the right to renewal, until the final determination of such certiorari proceedings and all appeals therefrom, provided the fee for such certificate be paid.

This section shall not apply to an agent or employee of an underwriter by whom a policy of insurance against loss or damage by fire shall have been written upon property within this state, in adjusting loss or damage under such policy nor to a broker acting as adjuster without compensation for a client for whom he is acting as broker, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under article nine of this chapter.

Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 2. This act shall take effect twenty days after it becomes a law.

Chap. 23.

AN ACT to amend the insurance law, in relation to organizations for assisting underwriters in insurance business generally.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by inserting a new section, to be one hundred and thirty-nine, and to read as follows:

§ 139. **Organizations for assisting underwriters in insurance business generally.** Every corporation, association, bureau or board which now exists or hereafter may be formed, and every person who maintains or hereafter may maintain a bureau or office, located within or without this state, for the purpose of inspecting risks, adjusting losses, testing appliances, formulating rules or establishing standards for the information or benefit of underwriters in the transaction within this state of the business of insurance and which corporation, association, bureau or person receives contributions from or is financially aided directly or indirectly, wholly or partially or in any manner by any person, association or corporation authorized to transact the business of insurance within this state, shall file on demand with the superintendent of insurance a copy of the articles of agreement, association or incorporation and the bylaws and all amendments thereto under which such person, association, corporation, board or bureau operates or proposes to operate, to-

gether with his or its business address as well as such other information concerning such organization and its operation as may be required by the superintendent. Every such person, corporation, association, bureau or board, whether before or after filing of the information specified in the last preceding paragraph, shall be subject to the visitation and examination of the superintendent of insurance, who shall cause to be made an examination thereof whenever he deems it expedient. For this purpose he may appoint as examiners one or more competent persons, and upon such examination, he, his deputy or any examiner authorized by him shall have all the powers given to the superintendent, his deputy or any examiner authorized by him by section thirty-nine of this chapter, including the power to examine under oath the officers or agents and all persons deemed to have material information regarding the business of or manner of operation by every such person, corporation, association, bureau or board. No person, association or corporation authorized to transact the business of insurance within this state shall be a member or subscriber to any corporation, association, bureau, board or person referred to in this section nor shall it contribute to or financially aid any such corporation, association, bureau, board or person who shall fail to comply with the provisions of this section. Upon notice furnished by the superintendent of insurance every person, association or corporation authorized to transact the business of insurance within this state, shall terminate immediately its subscription or membership and shall cease to make further contributions directly or indirectly or in any manner to such corporation, association, bureau, board or person.

This section shall not apply to any contract of life insurance, nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property or risks located without this state, nor to contracts made by persons, patrnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter, but it shall apply to all other forms of insurance mentioned in any article of this chapter.

§ 2. This act shall take effect immediately.

Chap. 24.

AN ACT to amend the general corporation law, in relation to corporate names.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section six of chapter twenty-eight of the laws of nineteen hundred and nine, entitled "An act relating to corporations generally, constituting chapter twenty-three of the consolidated laws," as amended by chapter six hundred and thirty-eight of the laws of nineteen hundred and eleven and chapter two of the laws of nineteen hundred and twelve, is hereby amended to read as follows:

§ 6. **Corporate names.** 1. No certificate of incorporation of a proposed corporation having the same name as a corporation authorized to do business under the laws of this state, or a name so nearly resembling it as to be calculated to deceive, shall be filed or recorded in any office for the purpose of effecting its incorporation, or of authorizing it to do business in this state; nor shall any corporation except a religious, charitable or benevolent corporation be authorized to do business in this state unless its name has such word or words, abbreviation, affix or prefix, therein or thereto, as will clearly indicate that it is a corporation as distinguished from a natural person, firm or copartnership; or unless such corporation uses with its corporate name, in this state, such an affix or prefix. A corporation formed by the reincorporation, reorganization or consolidation of other corporations or upon the sale of the property or franchises of a corporation, or a corporation acquiring or becoming possessed of all the estate, property, rights, privileges and franchises of any other corporation or corporations by merger, may have the same name as the corporation or one of the corporations to whose franchises it has succeeded. No corporation shall be hereafter organized under the laws of this state with the word "trust," "bank," "banking," "insurance," "assurance," "indemnity," "guarantee," "guaranty," "title," "cas-

ualty," "surety," "fidelity," "savings," "investment," "loan" or "benefit" as part of its name, except a corporation formed under the banking law or the insurance law.

2. No corporation, society or association, whether now existing or hereafter organized under or by virtue of the laws of this state, shall ever employ the words "Lucretia Mott" to designate, describe or name any hospital, infirmary or dispensary, or any part thereof, or any similar institution.

§ 2. This act shall take effect immediately.

Chap. 25.

AN ACT to amend the insurance law, in relation to life or casualty insurance corporations upon the co-operative or assessment plan.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section sixty-five of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter four hundred and sixteen of the laws of nineteen hundred and eleven, and amended by chapter two hundred and twenty-five of the laws of nineteen hundred and twelve, is hereby amended to read as follows:

§ 65. **Rebating and discriminations prohibited.** No insurance corporation, association, partnership, Lloyds or individual underwriters authorized or permitted to do any insurance business within this state, or any officer, agent, solicitor or representative thereof, shall make any contract for such insurance, on property or risk located within this state, or against liability, casualty, accident or hazard that may arise or occur therein or agreement as to such contract, other than as plainly expressed in the policy issued or to be issued thereon; nor shall any such corporation, association, partnership, Lloyds or individual underwriters, or

officer, agent, solicitor or representative thereof, directly or indirectly, in any manner whatsoever, pay or allow or offer to pay or allow as inducement to such insurance, or after the insurance shall have been effected, any rebate from the premium which is specified in the policy or any special favor or advantage in the dividends or other benefit to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy or contract of insurance, or give, sell or purchase, or offer to give, sell, or purchase, as inducement to such insurance, or in connection therewith, any stock, bonds or other securities of any insurance company, or other corporation or association, or any dividends or profits accrued thereon, or anything of value whatsoever, not specified in the policy, nor shall any insurance broker, his agent or representative, or any other person, directly or indirectly, either by sharing commissions or in any manner whatsoever pay or allow or offer to pay or allow as inducement to such insurance, or after the insurance shall have been effected, any rebate from the premium which is specified in the policy; nor shall the insured, his agent or representative, directly or indirectly accept or knowingly receive any such rebate from the premium specified in the policy; this section shall not prevent any corporation, person, partnership or association lawfully doing such insurance business in this state from the distribution of surplus and dividends to policyholders after the first year of insurance nor prevent any member of an inter-insurance or Lloyds association from receiving the profit of his or its underwriting; nor shall this section prevent any such corporation or other insurer, or his or its agent, from paying commissions to the broker who shall have negotiated for the insurance, nor shall this section prevent any licensed broker from sharing or dividing a commission earned or received by him with any other licensed broker or brokers who shall have aided him in respect to the insurance for the negotiation of which such commission shall have been earned or paid, and nothing herein contained shall be held to prevent the covering of risks by temporary binders or such other memoranda as do not conflict with the provisions of this chapter. Nor shall this section prevent any such corporation or other insurer, or any agent or insurance broker, from distributing or presenting to any person or corporation any

article of merchandise not exceeding one dollar in value, which shall have conspicuously stamped or printed thereon the advertisement of such insurance corporation, agent or broker.

No person shall be excused from attending and, when ordered so to do, from testifying or producing any books, papers or other documents before any court or magistrate, upon any investigation, proceeding or trial for a violation of any of the provisions of this section, upon the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to convict him of a crime or subject him to a penalty or forfeiture, but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may have been required so to testify or to produce evidence, documentary or otherwise, and no testimony so given or produced shall be received against him upon any criminal investigation or proceeding. Any person or corporation violating the provisions of this section shall be guilty of a misdemeanor and shall forfeit to the people of the state the sum of five hundred dollars for each such violation. This section shall not apply to any contract of life insurance nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts made by persons, associations or corporations authorized to do business under articles five, seven and nine of this chapter.

§ 2. This act shall take effect immediately.

Chap. 26.

AN ACT to amend the insurance law, in relation to rate-making associations.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and forty-one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-

eight of the consolidated laws," as added by chapter four hundred and sixty of the laws of nineteen hundred and eleven and amended by chapter one hundred and seventy-five of the laws of nineteen hundred and twelve, is hereby amended to read as follows:

§ 141. **Rate-making associations.** Every corporation, association or bureau which now exists or hereafter may be formed, and every person who maintains or hereafter may maintain a bureau or office, for the purpose of suggesting, approving or making rates to be used by more than one underwriter for insurances, including surety bonds, on property or risks of any kind located in this state, shall file with the superintendent of insurance a copy of the articles of agreement, association or incorporation and the by-laws and all amendments thereto under which such person, association or bureau operates or proposes to operate, together with his or its business address and a list of the members or insurance corporations represented or to be represented by him or it, as well as such other information concerning such rating organization and its operations as may be required by the superintendent.

Every such person, corporation, association or bureau, whether before or after the filing of the information specified in the last preceding paragraph, shall be subject to the visitation, supervision and examination of the superintendent of insurance, who shall cause to be made an examination thereof as often as he deems it expedient and at least once in three years. For such purpose he may appoint as examiners one or more competent persons, and upon such examination, he, his deputy or any examiner authorized by him shall have all the powers given to the superintendent, his deputy or any examiner authorized by him by section thirty-nine of this chapter, including the power to examine under oath the officers or agents and all persons deemed to have material information regarding the business of or manner of operation by every such person, corporation, association, bureau or board. The superintendent shall make public the results of such examination and shall report to the legislature in his annual report on the methods of such rating organization and the manner of its operation.

Each such person, corporation, association or bureau shall file with the superintendent of insurance whenever he may call therefor any and every schedule of rates or such other in-

formation concerning such rates as may be suggested, approved or made by any such rating organization for the purposes specified in the first paragraph of this section.

No such person, corporation, association or bureau shall fix or make any rate or schedule of rates which is to or may apply to any risk within this state, on the condition that the whole amount of insurance on such risk or any specified part thereof shall be placed at such rates, or with the members of or subscribers to such rating organization; nor shall any such person, corporation, association or bureau, or any person, association or corporation authorized to transact the business of insurance within this state, fix or make any rate or schedule of rates or charge a rate which discriminates unfairly between risks within this state of essentially the same hazard or, if such rate be a fire insurance rate, which discriminates unfairly between risks in the application of like charges or credits or which discriminates unfairly between risks of essentially the same hazards and having substantially the same degree of protection against fire. Whenever it is made to appear to the satisfaction of the superintendent of insurance that such discrimination exists, he may, after a full hearing either before himself or before any salaried employee of the insurance department whose report he may adopt, order such discrimination removed; and all such persons, corporations, associations or bureaus affected thereby shall immediately comply therewith; nor shall such persons, corporations, associations or bureaus remove such discrimination by increasing the rates on any risk or class of risks affected by such order unless it is made to appear to the satisfaction of the superintendent of insurance that such increase is justifiable.

No such person, corporation, association or bureau or any other person, corporation, association or bureau, shall charge any licensing, registration, certification or membership fee to brokers who shall have been or hereafter may be licensed or authorized as such pursuant to the provisions of this chapter; nor shall any such rating organization or any other person, corporation, association or bureau or any two or more persons, associations or corporations authorized to transact the business of insurance within this state, acting in agreement, refuse to do business with or to

pay commissions to any person who may be licensed or authorized as an insurance broker, pursuant to the provisions of this chapter, because such a broker will not agree to secure insurance only at the rates of premium fixed by such rating organization or the parties to such agreement.

Every such rating organization shall keep a careful record of its proceedings and shall furnish upon demand to any person upon whose property or risk a rate has been made, or to his authorized agent, full information as to such rate, and, if such property or risk be rated by a schedule, a copy of such schedule; it shall also provide such means as may be approved by the superintendent of insurance whereby any person or persons affected by such rate or rates may be heard, either in person or by agent, before the governing or rating committee or other proper executive of such rating organization on an application for a change in such rate or rates.

This section shall not apply to any contract of life insurance, nor to any contract of insurance upon or in connection with marine or transportation risks or hazards other than contracts for automobile insurance, nor to contracts of insurance upon property or risks located without this state, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under articles five, six, seven and nine of this chapter, but it shall apply to all other forms of insurance mentioned in any article of this chapter.

§ 2. This act shall take effect immediately.

Chap. 27.

AN ACT to repeal chapter eighty-five of the laws of eighteen hundred and ninety-nine, entitled "An act to provide the minimum capital stock required for the organization of fire or marine insurance corporations."

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter eighty-five of the laws of eighteen hundred and ninety-nine, entitled "An act to provide the minimum capital

stock required for the organization of fire or marine insurance corporations," is hereby repealed.

§ 2. This act shall take effect immediately.

Chap. 28.

AN ACT to amend the insurance law, in relation to the policy or certificate of a life or casualty insurance corporation upon the co-operative or assessment plan.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article six of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding at the end a new section to be section two hundred and nineteen, to read as follows:

§ 219. **Policy to indicate assessment plan.** Every policy or certificate hereafter issued by any corporation, company, society, organization or association transacting business under this article shall have conspicuously printed on the face of such policy or certificate and at the top thereof in capital letters not smaller than great primer roman condensed capitals, the words "assessment system."

§ 2. This act shall take effect immediately.

Chap. 29

AN ACT to amend the insurance law, in relation to proceedings against and the liquidation of delinquent insurance corporations.

Became a law February 19, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section sixty-three of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation

to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter three hundred of the laws of nineteen hundred and nine, and amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, chapter three hundred and sixty-six of the laws of nineteen hundred and eleven and chapter two hundred and seventeen of the laws of nineteen hundred and twelve, is hereby amended by adding thereto, at the end thereof, a new subdivision, to be subdivision twelve, to read as follows:

12. At any time after the commencement of proceedings under an order of liquidation made pursuant to this section, the said superintendent may remove the principal office of the corporation in liquidation to the county of Albany. In event of such removal the court shall, upon the application of the superintendent, direct the clerk of the county wherein such proceeding was commenced to transmit all of the papers filed therein with such clerk to the clerk of the county of Albany, and the proceeding shall thereafter be conducted in the same manner as though it had been commenced in the county of Albany.

§ 2. This act shall take effect immediately.

Chap. 47.

AN ACT to amend the insurance law, in relation to misrepresentations by certain insurance corporations.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section sixty of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter five hundred and thirty-three of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 60. **Estimates and misrepresentations prohibited.** No life, health or casualty insurance corporation, including corporations

operating on the co-operative or assessment plan doing business in this state and no officer, director or agent therefor or any other person, copartnership or corporation shall issue or circulate, or cause or permit to be issued or circulated, any illustration, circular or statement of any sort misrepresenting the terms of any policy issued by any such corporation or the benefits or advantages promised thereby, or any misleading estimate of the dividends or share of surplus to be received thereon, or shall use any name or title of any policy or class of policies misrepresenting the true nature thereof. Nor shall any such corporation or agent thereof or any other person, copartnership or corporation make any misleading representation or incomplete comparison of policies to any person insured in any such corporation for the purpose of inducing or tending to induce such person to lapse, forfeit, or surrender his said insurance. The superintendent of insurance may in his discretion revoke the certificate of authority issued to any corporation or agent on his being satisfied that such corporation or agent has violated any of the provisions of this section. Any violation of this section shall constitute a misdemeanor, and it shall be the duty of the superintendent of insurance to revoke the certificate of authority of the corporation or agent on a conviction for so offending.

§ 2. This act shall take effect immediately.

Chap. 48.

AN ACT to amend the insurance law, in relation to reorganization of existing corporations and amendment of certificates.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section fifty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten and by chapter forty-

seven of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 52. **Reorganization of existing corporations and amendment of certificates.** Any domestic corporation existing or doing business on October first, eighteen hundred and ninety-two, may, by a vote of a majority of its directors or trustees, accept the provisions of this chapter and amend its charter to conform with the same, upon obtaining the consent of the superintendent of insurance thereto in writing; and thereafter it shall be deemed to have been incorporated under this chapter, and every such corporation in reincorporating under this provision may for that purpose so adopt in whole or in part a new charter, in conformity herewith, and include therein any or all provisions of its existing charter, and any or all changes from its existing charter, to cover and enjoy any or all the privileges and provisions of existing laws which might be so included and enjoyed if it were originally incorporated thereunder, and it shall, upon such adoption of and after obtaining the consent, as in this section before provided, to such charter, and filing the same and the record of adoption and consent in the office of the superintendent of insurance, perpetually enjoy the same as and be such corporation, which is declared to be a continuation of such corporation which existed prior to such reincorporation; and the offices therein which shall be continued shall be filled by the respective incumbents for the periods for which they were elected, and all others shall be filled in the same manner by such amended charter provided. Every domestic insurance corporation may amend its charter or certificate of incorporation by inserting therein any statement or matter which might have been originally inserted therein and may also eliminate therefrom unnecessary words or verbiage, or any powers which have never been exercised or are not at the time being exercised, provided that proof of the non-exercise of powers, satisfactory to the superintendent of insurance, shall be filed in the insurance department, and, if any business has been written under the powers proposed to be eliminated, the fact that all liability incident to such powers has been fully terminated shall be shown to the satisfaction of such superintendent through an examination of such corporation or otherwise as he may require; and may likewise amend its charter or certificate of

incorporation, by inserting therein or adding thereto any powers which at the time of such amendment, may have been conferred by law upon domestic insurance corporations engaged in a business of the same general character, or which might be included in the certificate of incorporation of a domestic insurance company organized under any general law of this state for a business of the same general character; and the same proceedings shall be taken upon the presentation of such amended charter or certificate or amendment to such charter or certificate, to the superintendent of insurance, as are required by this chapter to be taken with respect to an original charter or certificate, except that no examination of the condition and affairs of such corporation shall be required unless so ordered by the superintendent, and if the amended charter or certificate or amendment be approved by the superintendent of insurance, and his certificate of authority to do business thereunder is granted, the corporation shall thereafter be deemed to possess the same powers and be subject to the same liabilities as if such charter or certificate as so amended had been its original charter or certificate of incorporation, but without prejudice to any pending action or proceeding or any rights previously accrued. Upon the reincorporation or upon the amendment of the charter of any life insurance corporation, having a capital stock in accordance with the provisions of this section, it may by a vote of the majority of its directors confer upon its policyholders or upon such policyholders as may have a prescribed amount of insurance upon their lives the right to vote for all or any less number of the directors in such manner not inconsistent with any provision of this chapter as may be authorized by a vote of the stockholders representing at least a majority of the capital stock at a meeting of stockholders called for the purpose. Section eighteen of the stock corporation law shall not apply to such a corporation. This section shall apply to insurance corporations organized under or subject to article six of this chapter as well as to insurance corporations organized under a special act or any general law or article two of this chapter. In the case of any corporation organized under or subject to article six of this chapter, which corporation has amended its charter and is now operating under article two of this chapter, all contracts, policies and certificates issued prior to its reincorporation, shall be

valued as one year term insurance at the ages attained excepting when such contracts, policies or certificates shall provide for a limited number of specified premiums or for specified surrender values, in which case they shall be valued as provided in article two, section eighty-four of this chapter. But no life insurance corporation shall hereafter be permitted to avail itself of the provisions of this section unless it shall hold for all its outstanding policies or certificates assets equal in value to the minimum reserve required by section eighty-four of this chapter. Whenever any domestic insurance corporation changes the number of its directors or increases or reduces the amount of its capital stock, pursuant to and in conformity with the provisions of the stock corporation law, it may file in the office of the superintendent of insurance a complete copy of its charter, duly authenticated, containing the changes of its capital stock or its directors, or both, as the case may be. Such charter shall not be filed until it has attached thereto the certificate of approval of the attorney-general, as provided in section ten of this chapter.

§ 2. This act shall take effect immediately.

Chap. 49.

AN ACT to amend the insurance law, in relation to the by-laws of title, credit guaranty and securities guaranty corporations.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and seventy-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 172. **By-laws.** The by-laws of every corporation created under the provisions of this article shall be deemed and taken to be its law, and shall provide:

1. The number of its directors.

2. Their terms of office, so arranged that at least one-fourth in number of all the directors shall be elected annually.

3. The manner of filling vacancies among directors and officers.

4. The time and place of the annual meeting.

5. The manner of calling and holding special meetings of stockholders.

6. The number of stockholders who shall attend either in person or by proxy at every meeting to constitute a quorum.

7. The officers of the corporation and the manner of their election by the directors, and their powers and duties. Such officers shall always include a president, secretary, treasurer, and a general manager. The president must be elected from among the directors.

8. The manner of electing or appointing inspectors of election.

9. The manner of amending or repealing the by-laws.

§ 2. This act shall take effect immediately.

Chap. 50.

AN ACT to amend the penal law, in relation to acting for foreign insurance corporation which has not designated superintendent of insurance as attorney.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section eleven hundred and ninety-nine of chapter eighty-eight of the laws of nineteen hundred and nine, entitled "An act providing for the punishment of crime, constituting chapter forty of the consolidated laws," is hereby amended to read as follows:

§ 1199. **Acting for foreign insurance corporation which has not designated superintendent of insurance as attorney.** Any person acting for himself or for others, who solicits or procures, or aids in the solicitation or procurement of policies or certificates of insurance from, or adjusts losses or in any manner aids the transaction of any business for, any foreign insurance corporation,

which has not executed and filed in the office of the superintendent of insurance, a written appointment of the superintendent to be the true and lawful attorney of such corporation in and for this state, upon whom all lawful process in any action or proceeding against the corporation may be served, is guilty of a misdemeanor.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 51.

AN ACT to amend the insurance law, in relation to forms of policies or certificates of casualty insurance corporations upon the co-operative or assessment plan.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article six of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding at the end a new section, to be section two hundred and twenty, to read as follows:

§ 220. **Forms of policies or certificates must be filed and approved.** On and after the first day of January, nineteen hundred and fourteen, no policy or certificate of insurance against loss or damage from the sickness, or the bodily injury or death of the insured by accident, shall be issued or delivered in this state by any corporation authorized under this article, until copies of the form thereof have been filed with the superintendent of insurance and formally approved by him. On or before the first day of October, nineteen hundred and thirteen, the superintendent shall make and announce rules and regulations concerning the terms and provisions of such forms of policies and certificates, the manner in which they shall be printed, and the practice to be followed in their submission and approval. The superintendent may, in his discretion, permit any such corporation to continue to use in

this state after the first day of January, nineteen hundred and fourteen, any form of policy or certificate, which, prior to October first, nineteen hundred and thirteen, has been duly approved for such corporation under section one hundred and seven of this chapter.

§ 2. This act shall take effect October first, nineteen hundred and thirteen.

Chap. 52.

AN ACT to amend the insurance law, in relation to the sale of the securities of insurance corporations and of corporations organized to promote or hold the capital stock of insurance corporations.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding thereto, at the end of article one thereof, a new section, to be section sixty-six, to read as follows:

§ 66. **Promotion of insurance corporations; sale of securities.** 1. As the terms are used in this section "promoting corporation" means a corporation or joint stock association, engaged in the business of organizing or promoting or endeavoring to organize or promote the organization of an insurance corporation or corporations, or in any way assisting therein; "holding corporation" means a corporation or joint stock association, which holds or is engaged in the acquisition of the capital stock or a major portion thereof of one or more insurance corporations for the purpose of controlling the management thereof, as voting trustee or otherwise; and "securities" means the shares of capital stock, subscription certificates, debenture bonds and any and all other contracts or evidences of ownership of or interest in insurance

corporations, or in promoting or holding corporations as defined in this section.

2. No individual, partnership, association or corporation, as the agent of another or as broker, shall sell or offer for sale or in any way assist in the sale in this state of the securities of any promoting or holding corporation, as defined in this section, or of any insurance corporation which is not at the time of such sale or offer of sale, lawfully engaged or authorized to engage in the transaction of the business of insurance in this state, without first procuring, as hereinafter provided, a certificate of authority from the insurance department to sell such securities; nor shall any individual, partnership, association or corporation sell or offer for sale in this state the securities of any promoting or holding corporation as defined in this section, or of any insurance corporation which is not at the time of such sale or offer of sale, lawfully engaged or authorized to engage in the transaction of the business of insurance in this state, unless such corporation shall have first procured from the superintendent of insurance, as hereinafter provided, a certificate that said corporation has fully complied with the provisions of this section and is authorized to sell such securities. Every certificate issued by the superintendent of insurance pursuant to the provisions of this section shall state in bold type that the superintendent in no way recommends the securities thereby authorized to be sold, and shall be renewable annually, upon written application, filed on or before the first day of January of each year, and may be revoked for cause at any time by such superintendent. The superintendent shall prepare and furnish upon request suitable blank forms of application for the certificates required by this section.

3. Every individual, copartnership, association or corporation who or which desires or intends to sell or to offer for sale in this state, the securities of any insurance corporation or of any promoting or holding corporation as defined in this section, shall file with the superintendent of insurance an application for a certificate of such authority. Such application shall contain a statement, verified by oath, setting forth the name and address of the applicant, previous business experience, date and place of birth or

organization, and such other and further information as the said superintendent may require. It shall be the duty of the superintendent of insurance to examine the application so filed, and to make any further inquiry or examination of any such applicant as he may deem advisable. If upon such examination the superintendent shall find that the applicant, or applicants, or if a corporation, the officers and directors thereof, is or are all trustworthy persons of good business credit, the superintendent may issue to such applicant a certificate of authority to sell or offer for sale in this state, the securities of any insurance corporation or corporations and of any promoting or holding corporation previously authorized under this section which shall be mentioned therein.

4. Every such unauthorized insurance corporation, and every promoting or holding corporation, as defined in this section, whose securities are to be offered for sale in this state, shall file with the superintendent of insurance copies of all securities to be offered for sale, and an application for a certificate of authority under this section which shall contain a statement in detail of the plans and purposes of such corporation, the amount and par value of the securities to be offered for sale and the selling price thereof, the manner in which the moneys paid in therefor are to be spent or employed, the rate of commissions to be paid for the sale of such securities, the salaries to be paid to the officers of such corporation, and such other and further information as the said superintendent may require. No change shall thereafter be made in the form or character of the securities to be offered for sale, or in the plans or purposes of any such corporation without the approval thereof in writing by the said superintendent. It shall be the duty of the superintendent of insurance to examine the application and other documents so filed, and to make any further inquiry or examination of any such corporation as he may deem advisable. If upon such examination the superintendent shall find that the plans and purposes of any such corporation are proper, that its condition is satisfactory, that the amount of its securities is reasonable, that the price at which such securities are to be sold is adequate, and that the manner in which the moneys paid in therefor, the rate of commissions to be paid and

the salaries of officers are fair, the superintendent may issue a certificate that such corporation has complied with all the provisions of this section and is authorized to sell or offer its securities for sale in this state.

5. The superintendent of insurance may refuse to issue or renew any certificate provided for by this section, if, in his judgment, such refusal will best promote the interest of the people of the state. No individual whose certificate of authority granted under this section is revoked, nor any copartnership of which he is a member, nor any corporation of which he is an officer or director, shall be entitled to any certificate of authority under this section for a period of five years after such revocation; and if any such certificate held by a copartnership or corporation is so revoked, no member of such copartnership or officer or director of such corporation shall be entitled to any such certificate for the same period of time.

6. No printed matter shall be used in connection with the sale of securities of any such promoting, holding or insurance corporation, for advertising purposes, or in the dissemination of information with reference thereto, unless such printed matter shall first be submitted to the superintendent of insurance and approved by him in writing. No such corporation and no officer, director or agent thereof, or any other person, copartnership, association or corporation shall issue, circulate or employ or cause or permit to be used, issued, circulated or employed any circular or statement, whether printed or oral, of any sort, misrepresenting or exaggerating the earnings of insurance corporations or the value of their corporate stock, or other securities or the profits to be derived either directly or indirectly from the organization and management of insurance corporations or of organizing or holding corporations as defined in this section. No insurance or other corporation, and no individual, copartnership or association, transacting business in this state shall place or offer to place insurance in any corporation in connection with the sale or purchase of the securities of any insurance corporation or of any promoting or holding corporation as defined in this section.

§ 2. This act shall take effect immediately.

Chap. 60.

AN ACT to amend the code of civil procedure, relating to when a foreign corporation may be sued.

Became a law March 6, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section seventeen hundred and eighty of the code of civil procedure is hereby amended so as to read as follows:

§ 1780. **When foreign corporation may be sued.** An action against a foreign corporation may be maintained by a resident of the state, or by a domestic corporation, for any cause of action. An action against a foreign corporation may be maintained by another foreign corporation, or by a non-resident, in one of the following cases only:

1. Where the action is brought to recover damages for the breach of a contract made within the state, or relating to property situated within the state, at the time of the making thereof.

2. Where it is brought to recover real property situated within the state, or a chattel, which is replevied within the state.

3. Where the cause of action arose within the state, except where the object of the action is to affect the title to real property situated without the state.

4. Where a foreign corporation is doing business within this state.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 81.

AN ACT to amend the insurance law, in relation to the capital of title, credit guaranty and securities guaranty corporations.

Became a law March 15, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and seventy of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act

in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and two of the laws of nineteen hundred and nine and chapter five hundred and twenty-five of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 170. **Incorporation.** Five or more persons may form a corporation for one of the following purposes:

1. To examine titles to real property and chattels real, to procure and furnish information in relation thereto, make and guarantee the correctness of searches for all instruments, liens or charges affecting the same, guarantee or insure the payment of bonds and mortgages, invest in, purchase and sell, with such guaranty or with guaranty only against loss by reason of defective title or incumbrances, such bonds and mortgages as are lawful investments for insurance companies under this act, and guarantee and insure the owners of real property and chattels real and others interested therein against the loss by reason of defective titles thereto and other incumbrances thereon, which shall be known as a title guaranty corporation; or

1-a. To guarantee the validity and legality of bonds or other evidences of indebtedness issued by any state or by any city, county, town, village, school district, municipality or other civil division of any state, or by any private or public corporation; to act as registrar or transfer agent, but not fiscal of any such corporation, and to transfer and countersign its certificates of stocks, bonds or other evidences of indebtedness. Such corporation shall be known as a securities guaranty corporation and shall be governed by and subject to the provisions of law applicable to a title guaranty corporation organized under this article; or

2. To guarantee and indemnify merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and extending credit to their customers, and those dealing with them, which shall be known as a credit guaranty corporation; by making, acknowledging and filing a certificate stating:

1. The name of the proposed corporation.
2. The kind of corporation to be formed and its purposes.
3. The amount and description of the capital stock.
4. The location of its office.

5. The duration of the corporation, not exceeding fifty years.

No credit guaranty corporation or securities guaranty corporation shall be formed for the transaction of business in this state, with a smaller capital than two hundred and fifty thousand dollars. No title guaranty corporation shall be formed with a smaller capital than one hundred and fifty thousand dollars, which shall be divided into shares of one hundred dollars each. Such certificate shall be filed in the office of the superintendent of insurance, who shall thereupon issue a license to the persons making such certificate, empowering them as commissioners to open books of subscription to the capital stock of the corporation at such times and places as they may determine.

§ 2. This act shall take effect immediately.

Chap. 92.

AN ACT to amend the insurance law, in relation to capital requirements.

Became a law March 21, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section twelve of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 12. **Minimum capital stock.** No domestic fire or marine stock insurance corporation shall be hereafter organized with a smaller capital stock than two hundred thousand dollars fully paid in in cash, but nothing in this section contained shall be understood to relate to the class of corporations provided for in articles nine or ten of this chapter.

A domestic stock insurance corporation, having the power to transact the kind of insurance business described in subdivisions one, two, five, six, seven, eight, nine and ten of section seventy of this chapter shall not be hereafter organized with a smaller capital

stock than one hundred thousand dollars fully paid in in cash. A domestic stock insurance corporation having the power to transact any kind of insurance business described in subdivisions three or four of section seventy of this chapter shall not be hereafter organized with a smaller capital stock than two hundred and fifty thousand dollars fully paid in in cash if authorized to transact any kind of insurance business described in one of such subdivisions or a smaller capital stock than five hundred thousand dollars fully paid in in cash if authorized to transact the kinds of insurance business described in both such subdivisions. Except as to the requirements of a minimum capital stock for the transaction of the kinds of insurance business described in subdivisions three or four of section seventy of this chapter every domestic stock insurance corporation hereafter organized having power to transact business under more than one subdivision of such section shall, in addition to the minimum capital stock prescribed in this section, have an additional capital stock of fifty thousand dollars fully paid in in cash, for every kind of insurance business more than one which it is authorized to transact. Any corporation to which this section is applicable shall also, at the time of its organization, have a surplus equal to fifty per centum of its capital stock, which surplus shall also be fully paid in in cash; provided that this requirement shall not apply to existing corporations reincorporated.

§ 2. This act shall take effect immediately.

Chap. 154.

AN ACT to amend the penal law, in relation to arson.

Became a law April 2, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Sections two hundred and twenty-two and two hundred and twenty-three of chapter eighty-eight of the laws of nineteen hundred and nine, entitled "An act providing for the punishment of crime, constituting chapter forty of the consolidated laws," are hereby amended to read, respectively, as follows:

§ 222. **Arson in second degree.** A person who:

1. Commits an act of burning in the day time, which, if committed in the night time, would be arson in the first degree; or,

2. Wilfully burns, or sets on fire, in the night time, a dwelling house, wherein, at the time, there is no human being; or,

3. Wilfully burns, or sets on fire, in the night time, a building not inhabited, but adjoining or within the curtilage of an inhabited building, in which there is, at the time, a human being, so that the inhabited building is endangered, even though it is not in fact injured by the burning; or,

4. Wilfully burns, or sets on fire, in the night time, a car, vessel, or other vehicle, or a structure or building, ordinarily occupied at night by a human being, althought no person is within it at the time; or

5. Wilfully burns, or sets on fire, a vessel, car, or other vehicle, or a building, structure, or other erection, which is at the time insured against loss or damage by fire with intent to prejudice or defraud the insurer thereof,

Is guilty of arson in the second degree.

§ 223. **Arson in third degree.** A person who wilfully burns, or sets on fire a vessel, car, or other vehicle, or a building, structure, or other erection, under circumstances not amounting to arson in the first or second degree,

Is guilty of arson in the third degree.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 155.

AN ACT to amend the insurance law, in relation to standard provisions for accident and health policies and discriminations.

Became a law April 2, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and seven of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-

eight of the consolidated laws," as added by chapter six hundred and thirty-six of the laws of nineteen hundred and ten, is hereby repealed.

§ 2. Such chapter is hereby amended by inserting therein a new section, to be section one hundred and seven thereof, to read as follows:

§ 107. **Standard provisions for accident and health policies.** Subdivision (a). On and after the first day of January, nineteen hundred and fourteen, no policy of insurance against loss or damage from the sickness, or the bodily injury or death of the insured by accident shall be issued or delivered to any person in this state by any corporation organized under article two of this chapter, or, if a foreign corporation, authorized to do business in this state, until a copy of the form thereof and of the classification of risks and the premium rates pertaining thereto have been filed with the superintendent of insurance; nor shall it be so issued or delivered until the expiration of thirty days after it has been so filed unless the said superintendent shall sooner give his written approval thereto. If the said superintendent shall notify, in writing, the company, corporation, association, society or other insurer which has filed such form that it does not comply with the requirements of law, specifying the reasons for his opinion, it shall be unlawful thereafter for any such insurer to issue any policy in such form. The action of the said superintendent in this regard shall be subject to review by any court of competent jurisdiction, provided, however, that nothing in this section shall be so construed as to give jurisdiction to any court not already having jurisdiction.

Subd. (b). No such policy shall be so issued or delivered (1) unless the entire money and other considerations therefor are expressed in the policy; nor (2) unless the time at which the insurance thereunder takes effect and terminates is stated in a portion of the policy preceding its execution by the insurer; nor (3) if the policy purports to insure more than one person; nor (4) unless every printed portion thereof and of any endorsements or attached papers shall be plainly printed in type of which the face shall be not smaller than ten point; nor (5) unless a brief description thereof be printed on its first page and on its filing back in type of which the face shall be not smaller than fourteen point; nor

(6) unless the exceptions of the policy be printed with the same prominence as the benefits to which they apply, provided, however, that any portion of such policy which purports, by reason of the circumstances under which a loss is incurred, to reduce any indemnity promised therein to an amount less than that provided for the same loss occurring under ordinary circumstances, shall be printed in bold face type and with greater prominence than any other portion of the text of the policy.

Subd. (c). Every such policy so issued shall contain certain standard provisions, which shall be in the words and in the order hereinafter set forth and be preceded in every policy by the caption, "Standard Provisions." In each such standard provision wherever the word "insurer" is used, there shall be substituted therefor "company" or "corporation" or "association" or "society" or such other word as will properly designate the insurer. Said standard provisions shall be:

(1) A standard provision relative to the contract which may be in either of the following two forms: Form (A) to be used in policies which do not provide for reduction of indemnity on account of change of occupation, and Form (B) to be used in policies which do so provide. If Form (B) is used and the policy provides indemnity against loss from sickness, the words "or contracts sickness" may be inserted therein immediately after the words "in the event that the insured is injured":

(A): 1. This policy includes the endorsements and attached papers, if any, and contains the entire contract of insurance. No reduction shall be made in any indemnity herein provided by reason of change in the occupation of the insured or by reason of his doing any act or thing pertaining to any other occupation.

(B): 1. This policy includes the endorsements and attached papers, if any, and contains the entire contract of insurance except as it may be modified by the insurer's classification of risks and premium rates in the event that the insured is injured after having changed his occupation to one classified by the insurer as more hazardous than that stated in the policy, or while he is doing any act or thing pertaining to any occupation so classified, except ordinary duties about his residence or while engaged in recreation, in which event the insurer will pay only such portion of the indem-

nities provided in the policy as the premium paid would have purchased at the rate but within the limits so fixed by the insurer for such more hazardous occupation.

If the law of the state in which the insured resides at the time this policy is issued requires that prior to its issue a statement of the premium rates and classification of risks pertaining to it shall be filed with the state official having supervision of insurance in such state, then the premium rates and classification of risks mentioned in this policy shall mean only such as have been last filed by the insurer in accordance with such law, but if such filing is not required by such law then they shall mean the insurer's premium rates and classification of risks last made effective by it in such state prior to the occurrence of the loss for which the insurer is liable.

(2) A standard provision relative to changes in the contract, which shall be in the following form:

2. No statement made by the applicant for insurance not included herein shall avoid the policy or be used in any legal proceeding hereunder. No agent has authority to change this policy or to waive any of its provisions. No change in this policy shall be valid unless approved by an executive officer of the insurer and such approval be endorsed hereon.

(3) A standard provision relative to reinstatement of policy after lapse which may be in either of the three following forms: Form (A) to be used in policies which insure only against loss from accident; Form (B) to be used in policies which insure only against loss from sickness; and Form (C) to be used in policies which insure against loss from both accident and sickness.

(A): 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover loss resulting from accidental injury thereafter sustained.

(B): 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover such sickness as may begin more than ten days after the date of such acceptance.

(C): 3. If default be made in the payment of the agreed premium for this policy, the subsequent acceptance of a premium by the insurer or by any of its duly authorized agents shall reinstate the policy but only to cover accidental injury thereafter sustained and such sickness as may begin more than ten days after the date of such acceptance.

(4) A standard provision relative to time of notice of claim which may be in either of the three following forms: Form (A) to be used in policies which insure only against loss from accident; Form (B) to be used in policies which insure only against loss from sickness, and Form (C) to be used in policies which insure against loss from both accident and sickness. If Form (A) or Form (C) is used the insurer may at its option add thereto the following sentence, "In event of accidental death immediate notice thereof must be given to the insurer."

(A): 4. Written notice of injury on which claim may be based must be given to the insurer within twenty days after the date of the accident causing such injury.

(B): 4. Written notice of sickness on which claim may be based must be given to the insurer within ten days after the commencement of the disability from such sickness.

(C): 4. Written notice of injury or of sickness on which claim may be based must be given to the insurer within twenty days after the date of the accident causing such injury or within ten days after the commencement of disability from such sickness.

(5) A standard provision relative to sufficiency of notice of claim which shall be in the following form and in which the insurer shall insert in the blank space such office and its location as it may desire to designate for such purpose of notice:

5. Such notice given by or in behalf of the insured or beneficiary, as the case may be, to the insurer at..... or to any authorized agent of the insurer, with particulars sufficient to identify the insured, shall be deemed to be notice to the insurer. Failure to give notice within the time provided in this policy shall not invalidate any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible.

(6) A standard provision relative to furnishing forms for the convenience of the insured in submitting proof of loss as follows:

6. The insurer upon receipt of such notice, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not so furnished within fifteen days after the receipt of such notice, the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, character and extent of the loss for which claim is made.

(7) A standard provision relative to filing proof of loss which shall be in such one of the following forms as may be appropriate to the indemnities provided:

(A): 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety days after the date of the loss for which claim is made.

(B): 7. Affirmative proof of loss must be furnished to the insurer at its said office within ninety days after the termination of the period of disability for which the company is liable.

(C): 7. Affirmative proof of loss must be furnished to the insurer at its said office in case of claim for loss of time from disability within ninety days after the termination of the period for which the insurer is liable, and in case of claim for any other loss, within ninety days after the date of such loss.

(8) A standard provision relative to examination of the person of the insured and relative to autopsy which shall be in the following form:

8. The insurer shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim hereunder, and also the right and opportunity to make an autopsy in case of death where it is not forbidden by law.

(9) A standard provision relative to the time within which payments other than those for loss of time on account of disability shall be made, which provision may be in either of the following two forms and which may be omitted from any policy providing only indemnity for loss of time on account of disability. The insurer shall insert in the blank space either the word "immediately" or appropriate language to designate such period of time,

not more than sixty days, as it may desire; Form (A) to be used in policies which do not provide indemnity for loss of time on account of disability and Form (B) to be used in policies which do so provide.

(A): 9. All indemnities provided in this policy will be paid ..... after receipt of due proof.

(B): 9. All indemnities provided in this policy for loss other than that of time on account of disability will be paid..... after receipt of due proof.

(10) A standard provision relative to periodical payments of indemnity for loss of time on account of disability, which provision shall be in the following form, and which may be omitted from any policy not providing for such indemnity. The insurer shall insert in the first blank space of the form appropriate language to designate the proportion of accrued indemnity it may desire to pay, which proportion may be all or any part not less than one-half, and in the second blank space shall insert any period of time not exceeding sixty days:

10. Upon request of the insured and subject to due proof of loss ..... accrued indemnity for loss of time on account of disability will be paid at the expiration of each ..... during the continuance of the period for which the insurer is liable, and any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of due proof.

(11) A standard provision relative to indemnity payments which may be in either of the two following forms: Form (A) to be used in policies which designate a beneficiary, and Form (B) to be used in policies which do not designate any beneficiary other than the insured.

(A): 11. Indemnity for loss of life of the insured is payable to the beneficiary if surviving the insured, and otherwise to the estate of the insured. All other indemnities of this policy are payable to the insured.

(B): 11. All the indemnities of this policy are payable to the insured.

(12) A standard provision providing for cancellation of the policy at the instance of the insured which shall be in the following form:

12. If the insured shall at any time change his occupation to one classified by the insurer as less hazardous than that stated in the policy, the insurer, upon written request of the insured and surrender of the policy, will cancel the same and will return to the insured the unearned premium.

(13) A standard provision relative to the rights of the beneficiary under the policy which shall be in the following form and which may be omitted from any policy not designating a beneficiary:

13. Consent of the beneficiary shall not be requisite to surrender or assignment of this policy, or to change of beneficiary, or to any other changes in the policy.

(14) A standard provision limiting the time within which suit may be brought upon the policy as follows:

14. No action at law or in equity shall be brought to recover on this policy prior to the expiration of sixty days after proof of loss has been filed in accordance with the requirements of this policy, nor shall such action be brought at all unless brought within two years from the expiration of the time within which proof of loss is required by the policy.

(15) A standard provision relative to time limitations of the policy as follows:

15. If any time limitation of this policy with respect to giving notice of claim or furnishing proof of loss is less than that permitted by the law of the state in which the insured resides at the time this policy is issued, such limitation is hereby extended to agree with the minimum period permitted by such law.

Sub. (d). No such policy shall be so issued or delivered which contains any provision (1) relative to cancellation at the instance of the insurer; or, (2) limiting the amount of indemnity to a sum less than the amount stated in the policy and for which the premium has been paid; or, (3) providing for the deduction of any premium from the amount paid in settlement of claim; or, (4) relative to other insurance by the same insurer; or, (5) relative to the age limits of the policy; unless such provisions which are hereby designated as optional standard provisions, shall be in the words and in the order in which they are hereinafter set forth, but the insurer may at its option omit from the policy

any such optional standard provision. Such optional standard provisions if inserted in the policy shall immediately succeed the standard provisions named in subdivision (c) of this section.

(1) An optional standard provision relative to cancellation of the policy at the instance of the insurer as follows:

16. The insurer may cancel this policy at any time by written notice delivered to the insured or mailed to his last address, as shown by the records of the insurer, together with cash or the insurer's check for the unearned portion of the premiums actually paid by the insured, and such cancellation shall be without prejudice to any claim originating prior thereto.

(2) An optional standard provision relative to reduction of the amount of indemnity to a sum less than that stated in the policy as follows:

17. If the insured shall carry with another company, corporation, association or society other insurance covering the same loss without giving written notice to the insurer, then in that case the insurer shall be liable only for such portion of the indemnity promised as the said indemnity bears to the total amount of like indemnity in all policies covering such loss, and for the return of such part of the premium paid as shall exceed the pro rata for the indemnity thus determined.

(3) An optional standard provision relative to deduction of premium upon settlement of claim as follows:

18. Upon the payment of claim hereunder any premium then due and unpaid or covered by any note or written order may be deducted therefrom.

(4) An optional standard provision relative to other insurance by the same insurer which shall be in such one of the following forms as may be appropriate to the indemnities provided, and in the blank spaces of which the insurer shall insert such upward limits of indemnity as are specified by the insurers' classification of risks, filed as required by this section.

(A): 19. If a like policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity in excess of $....., the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

(B): 19. If a like policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for loss of time on account of disability in excess of $..... weekly, the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured.

(C): 19. If a life policy or policies, previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for loss other than that of time on account of disability in excess of $....., or the aggregate indemnity for loss of time on account of disability in excess of $..... weekly, the excess insurance of either kind shall be void and all premiums paid for such excess shall be returned to the insured.

(5) An optional standard provision relative to the age limits of the policy which shall be in the following form and in the blank spaces of which the insurer shall insert such number of years as it may elect:

20. The insurance under this policy shall not cover any person under the age of ..... years nor over the age of ..... years. Any premium paid to the insurer for any period not covered by this policy will be returned upon request.

Subd. (e). No such policy shall be so issued or delivered if it contains any provision contradictory, in whole or part, of any of the provisions hereinbefore in this section designated as "Standard Provisions" or as "Optional Standard Provisions;" nor shall any endorsements or attached papers vary, alter, extend, be used as a substitute for, or in any way conflict with any of the said "Standard Provisions" or the said "Optional Standard Provisions;" nor shall such policy be so issued or delivered if it contains any provision purporting to make any portion of the charter constitution or by-laws of the insurer a part of the policy unless such portion of the charter, constitution or by-laws shall be set forth in full in the policy, but this prohibition shall not be deemed to apply to any statement of rates or classification of risks filed with the superintendent of insurance in accordance with the provisions of this section.

Subd. (f). The falsity of any statement in the application for any policy covered by this section shall not bar the right to re-

covery thereunder unless such false statement was made with actual intent to deceive or unless it materially affected either the acceptance of the risk or the hazard assumed by the insurer.

Subd. (g). The acknowledgment by any insurer of the receipt of notice given under any policy covered by this section, or the furnishing of forms for filing proofs of loss, or the acceptance of such proofs, or the investigation of any claim thereunder shall not operate as a waiver of any of the rights of the insurer in defense of any claim arising under such policy.

Subd. (h). No alteration of any written application for insurance by erasure, insertion or otherwise, shall be made by any person other than the applicant without his written consent, and the making of any such alteration without the consent of the applicant shall be a misdemeanor. If such alteration shall be made by any officer of the insurer, or by any employee of the insurer with the insurer's knowledge or consent, then such act shall be deemed to have been performed by the insurer thereafter issuing the policy upon such altered application.

Subd. (i). A policy issued in violation of this section shall be held valid but shall be construed as provided in this section and when any provision in such a policy is in conflict with any provision of this section, the rights, duties and obligations of the insurer, the policyholder and the beneficiary shall be governed by the provisions of this section.

Subd. (j). The policies of insurance against accidental bodily injury or sickness issued by an insurer not organized under the laws of this state may contain, when issued in this state, any provision which the law of the state, territory or district of the United States under which the insurer is organized, prescribes for insertion in such policies, and the policies of insurance against accidental bodily injury or sickness issued by an insurer organized under the laws of this state may contain, when issued or delivered in any other state, territory, district or country, any provision required by the laws of the state, territory, district or country in which the same are issued, anything in this section to the contrary notwithstanding.

Subd. (k). (1) Nothing in this section, however, shall apply to or effect any policy of liability or workmen's compensation

insurance or any general or blanket policy of insurance issued to any municipal corporation or department thereof, or to any corporation, copartnership, association or individual employer, police or fire department, underwriters' corps, salvage bureau, or like associations or organizations, where the officers, members or employees or classes or departments thereof are insured for their individual benefit against specified accidental bodily injuries or sickness while exposed to the hazards of the occupation or otherwise in consideration of a premium intended to cover the risks of all the persons insured under such policy.

(2) Nothing in this section shall apply to or in any way affect contracts supplemental to contracts of life or endowment insurance where such supplemental contracts contain no provisions except such as operate to safeguard such insurance against lapse or to provide a special surrender value therefor in the event that the insured shall be totally and permanently disabled by reason of accidental bodily injury or by sickness; provided that no such supplemental contract shall be issued or delivered to any person in this state unless and until a copy of the form thereof has been submitted to and approved by the superintendent of insurance, under such reasonable rules and regulations as he shall make concerning the provisions in such contracts and their submission to and approval by him.

(3) Nothing in this section shall apply to or in any way affect fraternal benefit societies.

(4) The provisions of this section contained in clause (5) of subdivision (b) and clauses (2), (3), (8) and (12) of subdivison (c) may be omitted from railroad ticket policies sold only at railroad stations, or at railroad ticket offices by railroad employees.

Subd. (l). Any company, corporation, association, society or other insurer or any officer or agent thereof which or who issues or delivers to any person in this state any policy in willful violation of the provisions of this section shall be punished by a fine of not more than five hundred dollars for each offense, and the superintendent of insurance may revoke the license of any company, corporation, association, society or other insurer of another state or country, or of the agent thereof, which or who willfully violates any provision of this section.

Subd. (m). The term "indemnity" as used in this section means benefits promised.

§ 3. Such chapter is hereby further amended by adding thereto a new section after section one hundred and seven, to be section one hundred and eight and to read as follows:

§ 108. **Discriminations under accident or health policies prohibited.** No insurance corporation authorized to make insurance in this state under subdivision two of section seventy of this chapter, nor any agent of such corporation, shall make or permit any discrimination between individuals of the same class in the amount of premiums, policy fees, or rates charged for any policy of accident or health insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such insurance contract, or in any other manner whatsoever. Any person or corporation violating any provision of this section shall be guilty of a misdemeanor, and shall forfeit to the people of the state the sum of five hundred dollars for each such violation.

§ 4. This act shall take effect on the first day of October, nineteen hundred and thirteen. Any policy covered by this act, the form of which has received the approval of the superintendent of insurance may be issued or delivered in this state on and after the said date.

Chap. 156.

AN ACT to amend chapter one hundred and thirty-four of the laws of eighteen hundred and ninety-one, entitled "An act to incorporate the Church Insurance Association," generally.

Became a law April 2, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one of chapter one hundred and thirty-four of the laws of eighteen hundred and ninety-one, entitled "An act to incorporate the Church Insurance Association," as amended by chapter five hundred and fifty-four of the laws of nineteen hundred and one, is hereby amended to read as follows:

§ 1. The First Wesleyan Methodist Episcopal church of Rochester, New York and others, religious societies duly organized under the laws of the state of New York, which collectively own property of the value of four hundred thousand dollars, which they desire to have insured and such other religious societies, and such pastors, ministers, clergymen, preachers, ordained or duly licensed, active or retired, and such wives or widows of the same, as shall from time to time associate themselves with them in the manner hereinafter provided, and such other members of religious societies as may desire the insurance of dwelling houses and their contents only, located wholly within the state of New York, to which such insurance shall be strictly limited, are hereby made a body corporate, by the name of the Church Insurance Association of the state of New York, for the purpose of transacting the business of co-operative insurance in the state of New York against loss or damage by fire or lightning, or windstorm, its policies to cover the property insurable in this association located in the said state outside of New York city; and property within the boundaries of any conference, synod, diocese, ecclesiastical association or other religious body in the state, the jurisdiction of which extends into territory adjoining the state of New York, upon written application made at its principal office in Rochester, New York. Every church corporation, and every individual eligible to membership desiring to be insured in said association shall make to the secretary of the association a written application for insurance, signed by such person or persons and in such manner, and containing such agreement on the part of the applicant for himself, itself, his or its successors, heirs and assigns to pay his or its pro rata share to the association of all losses or damages caused by fire or lightning, or windstorm, to any of the property insured therein by any member or members thereof, and the expenses of conducting the business of the association as the by-laws of said association shall prescribe; and such application, if accepted, shall be accompanied by the payment of such membership fee as said by-laws shall require; and each such application, when accepted, shall be filed by the secretary in the office of the association; and the applicant shall thereupon be and become a member thereof.

§ 2. Section two of such chapter is hereby amended to read as follows:

§ 2. This association shall be managed by a board of twenty-five directors, divided into five classes, whose respective terms of office shall be five years and until their successors, respectively, shall be elected, as said board is now constituted, the successors of the class of nineteen hundred and fourteen to be elected at the next annual meeting of the association, by ballot for the full term of five years, and those of the other classes annually thereafter in the order in which their respective terms shall expire. At the next annual meeting of the association, each member of said association, may have a seat in said meeting, and may have one vote, and at each subsequent annual meeting for the election of directors, only members of the association shall be entitled to representation, each religious society to be represented by a delegate duly appointed therefor by its board of trustees and to have one vote, and each other member, to be entitled to a seat in said meetings and to one vote.

§ 3. Sections four and seven of such chapter, as amended by chapter five hundred and fifty-four of the laws of nineteen hundred and one, are hereby amended to read, respectively, as follows:

§ 4. Said board of directors, who shall be members of the association by virtue of their office and be entitled to vote at the annual meetings of the association, shall have full management and control of the affairs and business of the association. It shall have power to make, adopt and enforce by-laws, not inconsistent with this act and the laws of this state, for its government and the orderly transaction of the business of the association, and from time to time amend the same, which by-laws shall be the by-laws of the association and shall bind all its members. Said by-laws shall prescribe the number and time of the meetings of said board, the number of directors necessary to constitute a quorum for the transaction of business, the manner of filling vacancies in office, the manner of fixing the compensation of officers, the amount of membership fees, the manner of placing and classification of risks, the manner of adjustment and collection of assessments for the

payment of losses and damages sustained by members, the manner of notification of members of assessments levied, and may embrace all other provisions, rules and regulations necessary for transacting the business of said association and for carrying into effect the purposes of this act. Said by-laws may provide for an executive committee for such purposes as may be necessary, which committee shall be elected by said board at such time as it shall see fit and may be changed at the pleasure of said board, and may require its officers to give such bonds as the interest of said association may demand.

§ 7. The directors of this association may issue policies of insurance, signed by the president and secretary, agreeing in the name of the association, to pay all damages not exceeding the amount insured, done by fire or lightning or windstorm to churches, parsonages and their contents, sheds, barns and other property, belonging to the several religious societies and to the pastors, clergymen and other persons eligible to membership in said association, which the association is hereinbefore authorized to insure, and detached at such distances from other buildings as the by-laws of the association may prescribe, during the period of five years from the date of the policy, or such shorter period as the by-laws of the association may prescribe; and no risk upon a dwelling house and contents shall exceed the sum of five thousand dollars, and no other single risk shall exceed the sum of twenty thousand dollars; but every such risk above five thousand dollars in amount shall be reinsured in solvent insurance companies authorized to do business in the state so that the net risk of this association in such cases shall not exceed five thousand dollars; and no policy shall be issued on any building or property except buildings and contents owned by corporations or persons eligible to membership in said association. This association may issue more than one policy to one member thereof owning separate or detached buildings or property, such as this act or the by-laws of said association permit it to insure. Every policy issued by the association shall have attached thereto or printed thereon, a copy of the by-laws and regulations of the association, or such parts thereof as shall be deemed necessary, which shall form a part of the contract between the association and the insured.

§ 4. Section eight of such chapter is hereby amended to read as follows:

§ 8. Every member of this association holding a policy thereof, not expired or vitiated, who or which has sustained a loss or damage by fire or lightning, or windstorm, in cases where damage by windstorm is insured against in the policy, to the building or buildings or other property covered by said policy since the issue of the same shall immediately notify the secretary of the association in the manner prescribed by the by-laws of the association of his or its loss or damage, and it shall be the duty of the officers of the association to proceed at once to ascertain and adjust such loss or damage in the manner provided by said by-laws.

§ 5. Such chapter is hereby amended by adding thereto a new section, to be section thirteen, to read as follows:

§ 13. An exemption from taxation equivalent to that granted to a town or county co-operative insurance corporation by subdivision three of section one hundred and eighty-seven of article nine of chapter sixty of the consolidated laws shall be allowed to this association.

§ 6. This act shall take effect immediately.

Chap. 180.

AN ACT to amend the penal law, in relation to discriminations and rebates by corporations transacting business of life insurance on the co-operative or assessment plan.

Became a law April 3, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section eleven hundred and ninety-one of chapter eighty-eight of the laws of nineteen hundred and nine, entitled "An act providing for the punishment of crime, constituting chapter forty of the consolidated laws," is hereby amended to read as follows:

§ 1191. **Discriminations and rebates by life insurance corporations prohibited.** Any life insurance corporation or corporation

transacting the business of life insurance on the co-operative or assessment plan doing business in this state, or any officer or agent thereof, who:

1. Makes any discrimination in favor of individuals of the same class or of the same expectation of life either in the amount of the premium charged or in any return of premiums, dividends or other advantages; or,

2. Makes any contract for insurance or agreement as to such contract other than that which is plainly expressed in the policy issued; or,

3. Pays or allows, or offers to pay or allow as an inducement to any person to insure, any rebate or premium, or any special favor or advantage whatever, in the dividends to accrue thereon or any inducement whatever not specified in the policy; or,

4. Makes any distinction or discrimination between white persons and colored persons, wholly or partially of African descent, as to the premiums or rates charged for policies upon the lives of such persons, or in any other manner whatever; or demands or requires a greater premium from such colored persons than is at that time required by such company from white persons of the same age, sex, general condition of health and prospect of longevity; or makes or requires any rebate, diminution or discount upon the amount to be paid on such policy in case of the death of such colored persons insured, or inserts in the policy any condition, or makes any stipulation whereby such person insured shall bind himself, or his heirs, executors, administrators and assigns to accept any sum less than the full value or amount of such policy in case of a claim accruing thereon by reason of the death of such person insured, other than such as are imposed upon white persons in similar cases, is guilty of a misdemeanor. Nothing in this section shall be construed to require any corporation doing business under article six or seven of the insurance law, which limits and confines its business or membership to the members of a secret or fraternal order or body, to insure or accept any individual who is not a member of such secret or fraternal order or body.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 181.

AN ACT to amend the insurance law, in relation to the standard fire insurance policy of the state of New York and the adjustment of losses thereunder.

Became a law April 3, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and twenty-one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter two hundred and forty of the laws of nineteen hundred and nine, and chapters one hundred and sixty-eight, six hundred and thirty-eight and six hundred and sixty-eight of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 121. **Standard fire insurance policy to be prescribed and used.** The printed blank form of a contract or policy of fire insurance, with such provisions, agreements or conditions as may be indorsed thereon or added thereto and form a part of such contract or policy, heretofore filed in the office of the secretary of state by the superintendent of insurance or by the New York board of fire underwriters pursuant to the provisions of chapter four hundred and eighty-eight of the laws of eighteen hundred and eighty-six shall be transferred by the secretary of state to the office of the superintendent of insurance and, together with such provisions, agreements or conditions as may be filed by the New York board of fire underwriters in the office of the superintendent of insurance and approved by him, which provisions, agreements or conditions shall be void if they are inconsistent with the standard fire insurance policy heretofore filed in the office of the secretary of state, shall be known and designated as the "standard fire insurance policy of the state of New York." No fire insurance corporation, its officers or agents, shall make, issue, or deliver for use, any fire insurance policy or the renewal of any such policy on property in this state, other than such as shall conform in all particulars as to blanks, size of type, context, provisions, agreements and conditions

with such printed blank form of contract or policy; and no other or different provision, agreement, condition or clause shall be in any manner made a part of such contract or policy or indorsed thereon or delivered therewith, except as follows, to wit:

First. The name of the corporation, its location and place of business, date of its incorporation or organization, whether it is a stock or mutual corporation, the names of its officers, the number and date of the policy, and if issued through a manager or agent the words "this policy shall not be valid until countersigned by the duly authorized manager or agent of the corporation at ....."

Second. Printed or written forms of description and specification, or schedules of the property covered by any particular policy, and any other matter necessary to clearly express all the facts and conditions of insurance on any particular risk not inconsistent with or a waiver of any of the conditions or provisions of the standard policy herein provided for.

Third. With the approval of the superintendent of insurance, if the same is not already included in such standard form, any provision which any such corporation is required by law to insert in its policies, not in conflict with the provisions of such standard form. Such provisions shall be printed apart from the other provisions, agreements or conditions of the policy under a separate title as follows: "Provisions required by law to be stated in this policy."

After the first day of January, nineteen hundred and eleven, such policy or contract may be printed, written or typewritten with any size of type or on any size or shape of paper which shall have the written approval of the superintendent of insurance.

The name, with the word "agent" or "agents," and place of business, of any insurance agent or agents, either by writing, printing, stamping or otherwise, may be indorsed on the outside of such policies.

Two or more fire insurance corporations, authorized to transact business in this state, may issue a combination standard form of policy, using a distinctive title therefor, which title shall appear at the head of such policy followed by the titles of the several corporations obligated thereupon, and which policy shall be

executed by the officers of each of such corporations; provided, that before such corporation shall issue such combination policy, they shall have received the express permission of the superintendent of insurance to issue the same, and the title of such proposed policy and the terms of the additional provisions thereof, hereby authorized, shall have been approved by him, which terms, in addition to the provisions of the standard policy and not inconsistent therewith, shall provide substantially under a separate title therein, to be known as "Provisions specially applicable to this combination policy," as follows:

(a) That each corporation executing such policy shall be liable for the full amount of any loss or damage, according to the terms of the policy, or a specific percentage thereof; (b) that service of process, or of any notices required by the said policy, upon any of the corporations executing the same shall be deemed to be service upon all; and provided, further, that the unearned premium liability on each policy so issued shall be maintained by each of such corporations on the basis of the liability of each to the insured thereunder.

§ 2. Such chapter is hereby amended by inserting therein a new section, to be section one hundred and twenty-one-a, to read as follows:

§ 121-a. **Appointment of umpire by court.** When, in the event of any loss or damage to property in this state described in any policy of fire insurance and covered thereby, the ascertainment of the amount of any such loss or damage is, as provided in the policy, to be determined by appraisers, one selected by the company, the other by the insured, and the two so chosen shall have failed or neglected, for a space of ten days after both have been chosen, to agree upon and select an umpire, it shall be lawful for either the insured or the company to apply to any court of record in the county in which the property is or was located, on five days' notice in writing, to the other party of his or its intention so to do, to appoint a competent and disinterested umpire. Any such notice in writing, when served by the insured, may be served upon any local agent of the company; and the said court shall, on proof by affidavit of the failure or neglect of the said appraisers to agree upon and select an umpire within the time aforesaid,

and of the service of notice aforesaid, forthwith appoint a competent and disinterested person to act as umpire in the ascertainment of the amount of said loss or damage; and the acts of the umpire so appointed shall be binding upon the insured and the company to the same extent as if such umpire had been selected in the manner provided for in said policy of insurance.

No policy of fire insurance shall be hereafter issued on property located in this state, unless the foregoing provisions of this section shall be printed on or attached thereto under the following title: "Provisions required by law to be stated in this policy."

§ 3. This act shall take effect June thirtieth, nineten hundred and thirteen.

Chap. 182.

AN ACT to amend the insurance law, in relation to surety companies.

Became a law April 3, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and eighty-one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 181. **May execute bonds and undertakings.** Whenever a bond, undertaking, recognizance, guaranty or other obligation is required, permitted, authorized or allowed; or whenever the performance of any act, duty or obligation, or the refraining from any act, is required, permitted, authorized or allowed to be secured or guaranteed, such bond, undertaking, recognizance or other obligation, or such security or guaranty, may be executed by a corporation authorized by the laws of this state and by its charter to execute such instrument; and such corporations are authorized and empowered to execute all such instruments; and the execution by any such corporation of such bond, undertaking, recognizance,

guaranty or other obligation by an officer, attorney in fact or other authorized representative shall be sufficient and be accepted as and be a full compliance with every law or other requirement now in force or that may hereafter be enacted or made that such bond, undertaking, recognizance, guaranty or like obligation be required or permitted or be executed by a surety or sureties, or that such surety or sureties be residents, householders or freeholders, or possess any other qualifications.

§ 2. Section one hundred and eighty-two of such chapter is hereby amended to read as follows:

§ 182. **Issuance of certificate of solvency by superintendent of insurance.** The superintendent of insurance shall on application issue to any such corporation his certificate that it is qualified to become and be accepted, subject to the limitations specified in section twenty-four of this chapter, as surety or guarantor on all bonds, undertakings, other obligations or guaranties specified in section one hundred and eighty-one of this chapter or under any other law or requirement which certificate or a copy thereof certified to be such by the superintendent, shall be conclusive evidence of the solvency of such corporation and of its sufficiency as such surety or guarantor, and of the propriety of accepting and approving it as such, and be in lieu of any justification required of such corporation by any law or requirement. The superintendent may at any time after the issuance of a certificate of solvency, upon notice to and hearing of such corporation, revoke such certificate by filing a revocation thereof in his office and serving a copy on the corporation to which such certificate was issued. The superintendent may publish notice of such revocation in such newspapers as he deems proper.

§ 3. Section one hundred and eighty-three of such chapter is hereby repealed.

§ 4. Section one hundred and eighty-four is hereby renumbered section one hundred and eighty-three, and amended to read as follows:

§ 183. **Supreme court may require statement to be filed.** If a certificate of solvency shall not have been issued by the superintendent of insurance to any such corporation, or if such certificate shall have been revoked, the supreme court in the judicial depart-

ment which includes the county in which the principal place of business in this state of any such corporation shall be located, may, at any time, and as frequently as said court shall deem requisite, require such corporation to file with the clerk of said county a sworn statement of its condition, and may also require such corporation, through one or more of its officers, to submit to an examination as to its solvency. Such statement and examination, when filed with said clerk, or a certified copy thereof filed with the clerk of any other county, may be received and considered as justification upon any and all bonds, undertakings or other instruments executed or guaranteed by such corporations, which shall thereafter be presented for approval.

§ 5. This act shall take effect July first, nineteen hundred and thirteen.

Chap. 205.

AN ACT to amend the insurance law, in relation to the contents of advertisements.

Became a law April 4, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section forty-eight of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 48. **Contents of advertisements.** Every advertisement or public announcement, and every sign, circular or card issued by any insurance corporation or association incorporated by or existing under the laws of this state or of any other state of the United States and doing business in this state, purporting to make known its financial standing, shall exhibit the amount of the capital actually paid in in cash, the assets owned, the liabilities, including therein the premium and loss reserves required by law, and the amount of net surplus or assets over all its liabilities actually available for the payment of its losses and claims, and held for the pro-

tection of its policyholders, and shall correspond with the verified statement made by it to the insurance department next preceding the making or issuing of the same. Every advertisement or public announcement, and every sign, circular or card issued by any insurance corporation or association incorporated by or existing under the government or laws of a country outside of the United States and doing business in this state, purporting to make known its financial standing, shall exhibit as capital and as assets only the capital and assets held by its United States branch, the liabilities, including therein the premium and loss reserves required by law, and the amount of net surplus of assets over all its liabilities actually available for the payment of its losses and claims and held for the protection of its policyholders in the United States, and shall correspond with the verified statement made by it to the insurance department next preceding the making or issuing of the same. For every violation of this and the preceding section by any such corporation, it shall forfeit for the first offense to the people of the state the sum of five hundred dollars, and for every subsequent offense the sum of one thousand dollars, which sums, when recovered, shall be paid into the treasury of the state. This section shall not apply to any life insurance corporation nor to any domestic or foreign insurance corporation or association engaged solely in the business of marine or transportation insurance or in such business in connection with the business of automobile insurance.

§ 2. This act shall take effect immediately.

Chap. 215.

AN ACT to amend the insurance law, in relation to the capital of title, credit guaranty and securities guaranty corporations.

Became a law April 4, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and seventy of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act

in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and two of the laws of nineteen hundred and nine and chapter five hundred and twenty-five of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 170. **Incorporation.** Five or more persons may form a corporation for one of the following purposes:

1. To examine title to real property and chattels real, to procure and furnish information in relation thereto, make and guarantee the correctness of searches for all instruments, liens or charges affecting the same, guarantee or insure the payment of bonds and mortgages, or notes of individuals or partnerships secured by mortgages upon real property situated in this or any other state, and bonds, notes, debentures and other evidences of indebtedness of solvent corporations secured by deed of trust or mortgage upon real property situated in this or any other state, invest in, purchase and sell, with such guarantee or with guarantee only against loss by reason of defective title or incumbrances, bonds and mortgages, and notes of individuals or partnerships secured by mortgages upon improved and unincumbered real property situated in this or any other state worth fifty per centum more than the amount loaned thereon, and bonds, notes, debentures and other evidences of indebtedness of solvent corporations secured by deed of trust or mortgages upon improved and unincumbered real property situated in this state or outside of this state worth fifty per centum more than the amount loaned thereon, and guarantee and insure the owners of real property and chattels real and others interested therein against the loss by reason of defective title thereto and other incumbrances thereon, which shall be known as a title guaranty corporation; or

1-a. To guarantee the validity and legality of bonds or other evidences of indebtedness issued by any state or by any city, county, town, village, school district, municipality or other civil division of any state, or by any private or public corporation; to act as registrar or transfer agent, but not fiscal of any such corporation, and to transfer and countersign its certificates of stocks, bonds or other evidences of indebtedness. Such corporation shall be known as a securities guaranty corporation and shall be

governed by and subject to the provisions of law applicable to a title guaranty corporation organized under this article; or

2. To guarantee and indemnify merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and extending credit to their customers, and those dealing with them, which shall be known as a credit guaranty corporation; by making, acknowledging and filing a certificate stating:

1. The name of the proposed corporation.
2. The kind of corporation to be formed and its purposes.
3. The amount and description of the capital stock.
4. The location of its office.
5. The duration of the corporation, not exceeding fifty years.

No credit guaranty corporation or securities guaranty corporation shall be formed for the transaction of business in this state, with a smaller capital than two hundred and fifty thousand dollars. No title guaranty corporation shall be formed with a smaller capital than one hundred and fifty thousand dollars, which shall be divided into shares of one hundred dollars each. Such certificate shall be filed in the office of the superintendent of insurance, who shall thereupon issue a license to the persons making such certificate, empowering them as commissioners to open books of subscription to the capital stock of the corporation at such times and places as they may determine.

Any corporation heretofore organized under subdivision one of this section shall have all the powers conferred by such subdivision as amended hereby.

§ 2. This act shall take effect immediately.

Chap. 296.

AN ACT to amend the insurance law, in relation to the incorporation of fire insurance corporations.

Became a law April 16, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and ten of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in

relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter one hundred and sixty-eight of the laws of nineteen hundred and ten and chapter one hundred and twenty-six of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 110. **Incorporation.** Thirteen or more persons may become a corporation for the purpose of making insurances on dwelling houses, stores and all kinds of buildings and household furniture, and other property against loss or damage, including loss of use or occupancy, by fire, lightning, windstorm, tornado, cyclone, earthquake, hail, frost or snow, and by explosion whether fire ensues or not, except explosion on risks specified in subdivision seven of section seventy of this chapter, and also against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and of water pipes, and against accidental injury to such sprinklers, pumps or other apparatus, and upon vessels, boats, cargoes, goods, merchandise, freights and other property against loss or damage by all or any of the risks of lake, river, canal and inland navigation and transportation, as well as by any or all of the risks specified in section one hundred and fifty of this chapter, including insurances upon automobiles, whether stationary or being operated under their own power, which shall include all or any of the hazards of fire, explosion, transportation, collision, loss by legal liability for damage to property resulting from the maintenance and use of automobiles, and loss by burglary or theft or both, but shall not include insurance against loss by reason of bodily injury to the person, and to effect reinsurances of any risks taken by it, by filing in the office of the superintendent of insurance a declaration signed by all of them, of their intention to form a corporation for the purpose of transacting the business of making any or all of such insurances, which shall comprise a copy of the charter proposed to be adopted by them, setting forth the name of the corporation, the place of location of its office, the mode in which its corporate powers are to be exercised and its directors elected, a majority of whom shall be citizens of this state, and if a stock corporation, the owner in his own right of at least five hundred dollars of the

stock of the corporation at its par value, the mode of filling vacancies in the office of director, the period for the commencement and termination of its fiscal year and the amount of capital to be employed in the transaction of its business; provided that a corporation including in its charter a provision to assume any of the risks of ocean marine insurance as specified in section one hundred and fifty of this chapter must have a capital, paid in in cash, of at least four hundred thousand dollars.

No such declaration shall be filed, unless the persons signing the same shall have previously published for at least two weeks successively a notice of their intention to form such a corporation in a public newspaper in the county where its office is to be located.

Every such corporation shall be known as a fire insurance corporation. No such corporation shall directly or indirectly deal or trade in buying or selling any goods, wares, merchandise or other commodities whatever, except such articles as may be insured by it and are claimed to be damaged by any cause so insured against.

§ 2. This act shall take effect immediately.

Chap. 304.

AN ACT to amend the insurance law, generally.

Became a law April 17, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section six of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 6. **Fees.** Every corporation or person to whom this chapter shall be applicable shall pay the following fees to the superintendent, unless remitted by him. For filing the declaration and certified copy of the charter required by law, thirty dollars. For filing

the annual report required by law, twenty dollars. For each certificate of authority and certified copy thereof, and for each certificate of deposit, valuation or compliance, not exceeding five dollars. For every copy of any paper filed in his office, ten cents per folio; and for affixing the official seal on such copy and certifying the same, one dollar. All fees, perquisites and moneys received by the insurance department, or any officer thereof, shall be paid into the state treasury as required by the state finance law.

§ 2. Section sixteen of such chapter as amended by chapters two hundred and forty and three hundred and two of the laws of nineteen hundred and nine, chapter six hundred and thirty-four of the laws of nineteen hundred and ten, chapter one hundred and fifty of the laws of nineteen hundred and eleven and chapter two hundred and thirty-three of the laws of nineteen hundred and twelve, is hereby amended to read as follows:

§ 16. **Investment of capital and surplus.** The cash capital of every domestic insurance corporation required to have a capital, to the extent of the minimum capital required by law, shall be invested and kept invested in the stocks or bonds of the United States or of this state, not estimated above their current market value, or in the bonds of a county or incorporated city in this state authorized to be issued by the legislature, not estimated above their par value or their current market value, or in bonds and mortgages on improved unencumbered real property in this state worth fifty per centum more than the amount loaned thereon. The cash capital of every foreign insurance corporation to the extent of the minimum capital required of a like domestic corporation shall be invested and kept invested in the same class of securities specified for domestic insurance corporations, except that like securities of the home state or foreign country shall be recognized as legal investments for the amount of the minimum capital required. The residue of the capital and the surplus money and funds of every domestic insurance corporation over and above its capital, and the deposit that it may be required to make with the superintendent, may be invested in or loaned on the pledge of any of the securities in which deposits are required to be invested or in the public stocks or bonds of any one of the United States, or in bonds or mortgages on improved unencum-

bered real property in this state worth fifty per centum more than the amount loaned thereon, or except as in this chapter otherwise provided, in the stocks, bonds or other evidence of indebtedness of any solvent institution incorporated under the laws of the United States or of any state thereoof, or in such real estate as it is authorized by this chapter to hold; but no such funds shall be invested in or loaned on its own stock or the stock of any other insurance corporation carrying on the same kind of insurance business, except that any such company organized under section seventy of this chapter for the purpose of engaging in business principally as a surety company may, subject to the consent of the superintendent of insurance, invest such funds in or loan such funds on the stock of any other corporation carrying on the same kind of business outside of but not within the United States; provided, however, that the superintendent in determining the condition of any such corporation so loaning or investing such funds shall not allow it as an asset the amount of the funds so loaned or invested; and, provided that, if a stock life insurance corporation shall determine to become a mutual life insurance corporation, it may, in carrying out any plan to that end under the provisions of section ninety-five of this chapter, acquire any shares of its own stock by gift, bequest or purchase. Any domestic insurance corporation may, by the direction and consent of two-thirds of its board of directors, managers or finance committee, invest, by loan or otherwise, any such surplus moneys or funds in the bonds issued by any city, county, town, village or school district of this state, pursuant to any law of this state. Any corporation organized under subdivision one-a, section one hundred and seventy of this chapter, for guaranteeing the validity and legality of bonds issued by any state, or by any city, county, town, village, school district, municipality or other civil division of any state, may invest by loan or otherwise any of such surplus moneys or funds as provided in section one hundred of this chapter. Every such domestic corporation doing business in other states of the United States or in foreign countries, may invest its funds in the same kind of securities in such other states or foreign countries as such corporation is by law allowed to invest in, in this state. Any life insurance company may lend to any policyholder upon the security of the value of his policy a sum

not exceeding the lawful reserve which it holds thereon, and such loan shall become due and payable and be satisfied as provided in the loan agreement or policy. But nothing in this section shall be held to authorize one insurance corporation to obtain, by purchase or otherwise, the control of any other insurance corporation.

§ 3. Section thirty-nine of such chapter, as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 39. **Examiners and examinations.** The superintendent of insurance shall, as often as he deems it expedient, and, if a domestic life or casualty insurance corporation, at least once in three years, or, if any other domestic insurance corporation, association, society or order, at least once in five years, examine into the affairs of any insurance corporation doing business in this state, and into the affairs of any corporation organized under any law of this state or having an office in this state, which corporation is engaged in or is claiming or advertising that it is engaged in organizing or receiving subscriptions for or disposing of stock of, or in any manner aiding or taking part in the formation or business of, an insurance corporation or corporations, or which is holding the capital stock of one or more insurance corporations for the purpose of controlling the management thereof as voting trustee or otherwise. For such purpose he may appoint as examiners one or more competent persons not officers of or connected with or interested in any insurance corporation other than as policyholders; and upon such examination he, his deputy or any examiner authorized by him may examine under oath the officers and agents of such corporation and all persons deemed to have material information regarding the company's property or business. Every such corporation, its officers and agents, shall produce its books and all papers in its or their possession relating to its business or affairs, and any other person may be required to produce any book or paper in his custody deemed to be relevant to the examination, for the inspection of the superintendent, his deputies or examiners whenever required; and the officers and agents of such corporation shall facilitate such examination and aid the examiners in making the same so far as it is in their power to do so. Every such ex-

aminer shall make a full and true report of every examination made by him, verified by his oath, which shall comprise only facts appearing upon the books, papers, records or documents of such corporation, or ascertained from the testimony, sworn to, of its officers or agents or other persons examined under oath concerning its affairs, and such conclusions and recommendations as may reasonably be warranted from such facts so disclosed, and said report so verified shall when filed be presumptive evidence in any action or proceeding in the name of the people against the corporation, its officers or agents, of the facts stated therein. The superintendent shall grant a hearing to the corporation examined before filing any such report; and may withhold any such report from public inspection for such time as he may deem proper and may, if he deems it for the interest of the public to do so, publish any such report or the result of any such examination as contained therein, in one or more newspapers of the state.

§ 4. Section seventy of such chapter, as amended by chapter three hundred and two of the laws of nineteen hundred and nine, chapter six hundred and thirty-seven of the laws of nineteen hundred and ten, chapter three hundred and twenty-four of the laws of nineteen hundred and eleven and chapters two hundred and thirty-one and two hundred and thirty-two of the laws of nineteen hundred and twelve, is hereby amended to read as follows:

§ 70. **Incorporation.** Thirteen or more persons may become a corporation for the purpose of making any of the following kinds of insurance:

1. Upon the lives or the health of persons and every insurance appertaining thereto, and to grant, purchase or dispose of annuities.

2. Against injury, disablement or death resulting from traveling or general accident, and against disablement resulting from sickness and every insurance appertaining thereto.

3. Insuring any one (a) against loss or damage resulting from accident to or injury suffered by an employee or other person, and for which the person insured is liable, and (b) against loss or damage to property caused by horses or by any vehicle drawn by animal power, and for which loss or damage the person insured is liable.

4. Guaranteeing the fidelity of persons holding places of public or private trust. Guaranteeing the performance of contracts other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by state or municipalities; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed.

4-a Guaranteeing and indemnifying merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and extending credit to their customers and those dealing with them; and corporations authorized to do such last named business in this subdivision mentioned shall have all the powers conferred by section one hundred and seventy-eight of this chapter.

5. Against loss by burglary, theft or forgery or any one or more of such hazards.

6. Upon glass against breakage.

7. Upon steam boilers and pipes, fly-wheels, engines and machinery connected therewith or operated thereby, against explosion and accident and against loss or damage to life or property resulting therefrom and against loss of use and occupancy caused thereby, and to make inspection of and to issue certificates of inspection upon such boilers, pipes, fly-wheels, engines and machinery.

8. Upon the lives of horses, cattle and other live stock or against loss by the theft of any such property or both.

9. Against loss or damage to automobiles (except loss or damage by fire, or while being transported in any conveyance by land or water), including loss by legal liability for damage to property resulting from the maintenance and use of automobiles.

10. Against loss or damage by water to any goods or premises, arising from the breakage or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and of water pipes, and against accidental injury to such sprinklers, pumps or other apparatus.

By making and filing in the office of the superintendent of insurance a certificate signed by each of them, stating their intention to form a corporation for the purpose or purposes named in some

one of the foregoing subdivisions specifying the subdivisions; and setting forth a copy of the charter which they propose to adopt, which shall state the name of the proposed corporation, the place where it is to be located, the kind of insurance to be undertaken, and under which of the foregoing subdivisions it is authorized, the mode and manner in which its corporate powers are to be exercised, the manner of electing its directors and officers, a majority of whom shall be citizens and residents of this state, the time of such elections, the manner of filling vacancies, the amount of its capital, if any, and such other particulars as may be necessary to explain and make manifest the objects and purposes of the corporation.

Such certificate shall be proved or acknowledged and recorded in a book to be kept for that purpose, and a certified copy thereof delivered to the persons executing the same. A mutual company, without capital stock, may be organized for the purposes either separately or taken together, specified in the first and second subdivisions of this section. Except as above provided, no such corporation shall be formed under this article for the purpose of undertaking any other kind of insurance than that specified in some one of the foregoing subdivisions, or more kinds of insurance than are specified in a single subdivision; but a corporation other than a mutual corporation may be formed for all the purposes combined, or any two or more of them, specified in the first and second subdivisions and clause (a) of the third subdivision, or for all the purposes combined, or any two or more of them specified in the second, third, fourth, fifth, sixth, seventh, eighth, ninth and tenth subdivisions; provided, however, that policies under subdivision nine shall be issued only by companies authorized to issue policies under subdivision two, three or five. No corporation or association shall transact, in connection with any other kind of insurance mentioned in the foregoing subdivisions, the business of guaranteeing and indemnifying merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and extending credit to their customers and those dealing with them, except such corporation or association as was authorized to transact such business before June first, nineteen hundred and five; but such corporation or

association may continue to transact such business with all the powers and privileges theretofore possessed or enjoyed by it. No one policy isued by any one corporation shall embrace more kinds of insurance than are specified in one of such subdivisions, except that a policy may embrace risks specified in subdivisions one and two, and in subdivision two and clause (a) of subdivision three, and also that companies electing to issue policies under subdivision nine may embrace in one policy risks under subdivision two, clause (a) of subdivision three, and subdivisions five and nine, or either of them.

§ 5. Section eighty-four of such chapter, as amended by chapter three hundred and one of the laws of nineteen hundred and nine and chapter six hundred and sixteen of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 84. **Valuation of policies.** The superintendent of insurance shall annually make valuations of all outstanding policies, additions thereto, unpaid dividends, and all other obligations of every life insurance corporation doing business in this state. All valuations made by him or by his authority shall be made upon the net premium basis. The legal minimum standard for contracts issued before the first day of January, nineteen hundred and one, shall be the actuaries' or combined experience table of mortality with interest at four per centum per annum, and for contracts issued on or after said day shall be the American experience table of mortality with interest at three and one-half per centum per annum; provided that the legal minimum valuation of all contracts issued on or after the first day of January, nineteen hundred and seven, shall be in accordance with the select and ultimate method, and on the basis that the rate of mortality during the first five years after the issuance of said contracts respectively shall be calculated according to the following percentages of the rates shown by the American experience table of mortality, to wit: first insurance year fifty per centum thereof, second insurance year sixty-five per centum thereof, third insurance year seventy-five per centum thereof, fourth insurance year eighty-five per centum thereof, and fifth insurance year ninety-five per centum thereof. The superintendent may vary the standards of interest and mortality in the case of corporations from foreign countries

as to contracts issued by such corporations in other countries than the United States; and in particular cases of invalid lives and other extra hazards, and value policies in groups, use approximate averages for fractions of a year and otherwise, and accept the valuation of the department of insurance of any other state or country if made upon the basis and according to the standards herein required in place of the valuation herein required. No policy issued after the thirty-first day of December, nineteen hundred and six, shall be valued as term insurance unless premiums are based upon net term rates; and no policy with level premiums issued after said date shall be valued as term insurance for the first policy year. The legal minimum standard for the valuation of annuities issued after January first, nineteen hundred and seven, shall be McClintock's "Tables of Mortality among Annuitants" with interest at three and one-half per centum per annum, but annuities deferred ten or more years and written in connection with life or term insurances shall be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum. The legal minimum standard for the valuation of industrial policies issued after the first day of January, nineteen hundred and seven, shall be the American experience table of mortality with interest at three and one-half per centum per annum, provided, that any life insurance corporation may voluntarily value its industrial policies written on the weekly premium payment plan according to the standard industrial mortality table or the sub-standard industrial mortality table. Any life insurance corporation may voluntarily value its policies, or any class thereof, according to the American experience table of mortality, or if industrial, at its option, according to the standard industrial mortality table or sub-standard industrial mortality table, at a lower rate of interest than that above prescribed, but not lower than three per centum per annum, and with or without reference to the select and ultimate method of valuation, and in every such case shall report the standards used by it in making the same to the superintendent of insurance in its annual statement, provided that no such standards, if adopted, shall be abandoned without the consent of the superintendent of insurance first obtained in writing.

§ 6. Subdivision one of section eighty-six of such chapter as amended by chapter one hundred and eighty-three of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

1. In estimating the condition of any life insurance corporation, under the provisions of this chapter, or in any examination made by him, or by an examiner appointed by him, the superintendent shall allow as assets only such investments as are authorized by the laws of this state, and shall charge as liabilities, in addition to the capital stock, all outstanding indebtedness of the corporation, and the premium reserve on policies, and additions thereto in force computed according to the table of mortality and rate of interest prescribed in this article. Any assets or securities lawfully held or acquired for the satisfaction, reduction or guaranty of any indebtedness to the corporation shall be allowed as assets at their just value in the judgment of the superintendent, but the total assets, invested and otherwise, of every domestic life insurance corporation shall be held to be accumulations for the exclusive benefit of policyholders, and no payment to stockholders shall be made therefrom until all obligations to policyholders and creditors have been fully provided for, including the reserve required by section eighty-four of this chapter to be determined by the superintendent of insurance. Whenever it shall appear to the said superintendent from the statement of any life insurance corporation made to the insurance department, or from an examination of the affairs of any such corporation, if a stock corporation, that its capital stock is impaired to the extent of fifty per centum thereof upon the basis of such reserve liabilities for policies and annuities in force as may be the standard used within this state at the time of ascertaining such impairment, it shall be the duty of said superintendent, if the corporation is organized under the laws of any other state or country, to revoke the certificate of authority issued to the agent or agents of such corporation, and cause a notice thereof to be published in the state paper for four weeks, and the agent or agents of such corporation are, after such notice, required to discontinue the issuing of any new policies. If the corporation so impaired is organized under the laws of this state, it shall be the duty of said superintendent to direct the officers thereof to require the

stockholders to make good in cash the amount of such deficiency within ninety days after the date of his requisition. And upon the failure of the stockholders to make good such deficiency within the time specified in such requisition, the corporation shall then be subject to the provisions of section twenty-one of this chapter. Provided, that any corporation organized under the laws of this state, whose capital is impaired as above fifty per centum, may by a vote of a majority of its directors at a meeting called for that purpose reduce its capital stock to an amount not less than one hundred thousand dollars; and the said directors are hereby empowered to issue new certificates of stock to the stockholders for the amount of the reduced capital, and require in return all certificates previously issued.

§ 7. Section ninety-six of such chapter, as amended by chapter six hundred and ninety-seven of the laws of nineteen hundred and ten and chapter three hundred and sixty-nine of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 96. **Limitation of new business.** No domestic life insurance corporation shall issue in any year new policies for a larger amount in the aggregate than as follows, to wit: If the total amount of insurance by said corporation in force on the thirty-first day of December of the preceding year is more than fifty million dollars, and not in excess of one hundred million dollars, not more than thirty per centum thereof; if more than one hundred million dollars, and not in excess of three hundred million dollars, not more than twenty-five per centum thereof, or thirty million dollars, whichever is the larger; if more than three hundred million dollars, and not in excess of six hundred million dollars, not more than twenty per centum thereof, or seventy-five million dollars, whichever is the larger; if more than six hundred million dollars not more than one hundred and fifty million dollars, or it may increase its new business over the largest amount issued in any one of the three years immediately preceding in the proportion in respect to said amount which the difference between twenty-five per centum of its net renewal premiums computed according to the basis of mortality and interest assumed in calculating its liabilities, and its total expenses for such preceding year, after deducting from said total expenses, (1) the items of the first year ex-

penditure specified in the first sentence of section ninety-seven of this chapter, (2) its actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and (3) taxes on real estate and other outlays exclusively in connection with real estate, bears to said net renewal premiums; provided, that in determining the amount of insurance in force and the amount of new insurance issued, policies of reinsurance and industrial policies issued upon the weekly premium plan and all premiums on such policies and the expenses in connection with such policies, shall be excluded and there shall be included only that insurance upon which the first premium or installment thereof has actually been received. If it appear that in the ordinary course of its business for any calendar year the amount of insurance issued by any corporation will probably exceed the limitation imposed by this section, the superintendent of insurance may before the expiration of such year authorize such corporation in writing to issue additional insurance not to exceed ten per centum of the limitation for such year; but such additional insurance shall be charged as a part of the new policies for the next succeeding year, in accordance with the limitations of this section. A foreign life insurance corporation, which shall not conduct its business within the limitation and in accordance with the requirements imposed by this section upon domestic corporations, shall not be permitted to do business within this state.

§ 8. Section ninety-seven of such chapter as amended by chapter three hundred and one of the laws of nineteen hundred and nine, and chapter six hundred and ninety-seven of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 97. **Limitation of expenses.** No domestic life insurance corporation shall in any calendar year, after the year nineteen hundred and six, expend or become liable for, including any and all amounts which any person, firm or corporation is permitted to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examina-

tions and inspections of proposed risks, and (4) for advances to agents, a total amount exceeding in the aggregate (a) the loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American experience table of mortality with interest at the rate of three and one-half per centum per annum) and (b) the present values of the assumed mortality gains for the first five years of insurance on policies in force at the end of said calendar year on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the select and ultimate method of valuation as provided in section eighty-four of this chapter; and (c) on policies issued and terminated in said calendar year the full gross premiums received, less the net cost of insurance for the time the insurance was in force, computed by the American experience select and ultimate table, three and one-half per centum. No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. Except as hereinafter provided all bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited. Nothing herein contained is to be construed as prohibiting the institution of contests or competitions among agents, and the recognition of success in such competitions

by the awarding of ribbon decorations, medals, pins, buttons or other tokens of small intrinsic value, given not as compensation but as a bona fide recognition of merit. No such corporation shall pay commissions upon renewal premiums received upon policies issued after the year nineteen hundred and six, in excess of five per centum of the premium annually for fourteen years after the first year of insurance in the case of endowment policies providing for less than twenty annual premiums, nor in excess of seven and one-half per centum of the premium annually for the first nine years after the first year of insurance and five per centum of the premium annually for the next ensuing five years in the case of other forms of policies; provided that an amount found to be equivalent to the aggregate amount so payable by a calculation approved by the superintendent of insurance and based upon mortality interest and lapse rates may be distributed through three or more years, or through a period exceeding fourteen years, but not more than two-fifths of such amount shall be payable for any one year; provided further that in any agency district subject to the supervision of a local salaried representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, subject to the calculation as aforesaid; provided further that any such corporation may condition the allowance or payment in whole or in part of any of the renewal commissions allowed to be paid as aforesaid upon the efficiency of service of the agent receiving the same or upon the amount and quality of the business renewed under his supervision; and also provided that a fee not exceeding three per centum may be paid for the collection of premiums which shall be received for any year after the fifteenth year of insurance. If any such corporation shall compensate its agents, or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggregate sum so paid shall in no year exceed the limitations herein imposed and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation

soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance. A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the state. This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing non-participating policies exclusively.

§ 9. Section one hundred and thirty-four of such chapter is hereby amended to read as follows:

§ 134. **Undertaking of agent.** No person shall, as agent for any such foreign insurance corporation, association or individuals, effect any insurance upon any property situate in any city or village of this state upon which the sums specified in the preceding section are required to be paid; or as such agent procure such insurance to be effected, until he shall have executed and delivered to the officer to whom such account is to be rendered and such payments to be made, a bond to such fire department in the penal sum of five hundred dollars, with such sureties as such treasurer, supervisor or other fiscal officer shall approve, with a condition that he will annually render to such treasurer, supervisor or other fiscal officer, on the first day of February in each year a just and true account, verified by his oath that the same is true, of all premiums which, during the year ending on the thirty-first day of December preceding such report, shall have been received by him or any other person for him, for any insurance against loss or injury by fire upon property situated in such city or village, which shall have been effected or procured by him to have been effected by any such corporation, association or individuals, and that he will annually, on the first day of February in each year, pay to such treasurer or supervisor or other fiscal officer two dollars upon every hundred dollars, and

at that rate upon the amount of such premiums. If any such agent shall desire to transact business in more than one city, town or village, he may, instead of executing and delivering a separate bond for each such city, town or village, as required by this section, execute and file with the superintendent of insurance a bond in the penal sum of fifteen hundred dollars, with such sureties as the superintendent shall approve, conditioned that he will make his account and pay the sums so required to be paid in each city, town or village in which he shall effect insurance. Any such corporation, association or individual, having authority to transact business in this state, on filing a bond in the penal sum of two thousand five hundred dollars with the superintendent of insurance that it will make its account and pay the sum so required to be paid, may effect such insurance in any city, town or village wherein it has no agent.

§ 10. This act shall take effect immediately.

Chap. 305.

AN ACT to amend the stock corporation law, in relation to the certificate of increase or reduction of capital stock of a banking or insurance corporation.

Became a law April 17, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section sixty-four of chapter sixty-one of the laws of nineteen hundred and nine, entitled "An act relating to stock corporations, constituting chapter fifty-nine of the consolidated laws," is hereby amended to read as follows:

§ 64. **Conduct of such meeting; certificate of increase or reduction.** If, at the time and place specified in the notice, the stockholders shall appear in person or by proxy in numbers representing at least a majority of all the shares of stock, they shall organize by choosing from their number a chairman and secretary, and take a vote of those present in person or by proxy, and if a

sufficient number of votes shall be given in favor of such increase or reduction, or if the same shall have been authorized by the unanimous consent of stockholders expressed in writing signed by them or their duly authorized proxies, a certificate of the proceedings showing a compliance with the provisions of this chapter, the amount of capital theretofore authorized, and the proportion thereof actually issued, and the amount of the increased or reduced capital stock, and in case of the reduction of capital stock the whole amount of the ascertained debts and liabilities of the corporation, shall be made, signed, verified and acknowledged by the chairman and secretary of the meeting, and filed in the office of the clerk of the county where its principal place of business shall be located, a duplicate thereof in the office of the secretary of state, and, if a corporation formed under or subject to the banking law, a triplicate thereof in the office of the superintendent of banks, and if an insurance corporation, a triplicate thereof in the office of the superintendent of insurance. In case of a reduction of the capital stock, except of a railroad corporation or a moneyed corporation, such certificate or consent hereinafter provided for shall have indorsed thereon the approval of the comptroller, to the effect that the reduced capital is sufficient for the proper purposes of the corporation, and is in excess of its ascertained debts and liabilities; and in case of the increase or reduction of the capital stock of a railroad corporation or a moneyed corporation, the certificate or the unanimous consent of stockholders, as the case may be, shall have indorsed thereon the approval of the public service commission having jurisdiction thereof, if a railroad corporation; of the superintendent of banks, if a corporation formed under or subject to the banking law, and of the superintendent of insurance, if an insurance corporation. When the certificate herein provided for, or the unanimous consent of stockholders in writing, signed by them or their duly authorized proxies, approved as aforesaid, has been filed, the capital stock of such corporation shall be increased or reduced, as the case may be, to the amount specified in such certificate or consent. The proceedings of the meeting at which such increase or reduction is voted, or, if such increase or reduction shall have been authorized by unanimous consent without a meeting, then a copy of such consent shall be entered upon the

minutes of the corporation. If the capital stock is reduced, the amount of capital over and above the amount of the reduced capital shall, if the meeting or consents so determine or provide, be returned to the stockholders pro rata, at such times and in such manner as the directors shall determine, except in the case of the reduction of the capital stock of an insurance corporation, as an alternative to make good an existing impairment.

§ 2. This act shall take effect immediately.

Chap. 306.

AN ACT to amend the general corporation law, in relation to the extension of corporate existence of insurance and banking corporations.

Became a law April 17, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section thirty-seven of chapter twenty-eight of the laws of nineteen hundred and nine, entitled "An act relating to corporations generally, constituting chapter twenty-three of the consolidated laws," is hereby amended to read as follows:

§ 37. **Extension of corporate existence.** Any domestic corporation at any time before the expiration thereof, may extend the term of its existence beyond the time specified in its original certificate of incorporation, or by law, or in any certificate of extension of corporate existence, by the consent of the stockholders owning two-thirds in amount of its capital stock, or if not a stock corporation, by the consent of two-thirds of its members, which consent shall be given either in writing or by vote at a special meeting of the stockholders called for that purpose, upon the same notice as that required for the annual meetings of the corporation; and a certificate under the seal of the corporation that such consent was given by the stockholders in writing, or that it was given by vote at a meeting as aforesaid, shall be subscribed and acknowledged by the president or a vice-president, and by the secretary or an assistant secretary of the corporation, and if a corporation

formed under or subject to the banking law shall be filed in the office of the superintendent of banks, if an insurance corporation, in the office of the superintendent of insurance, and otherwise in the office of the secretary of state, and shall by such officer be duly recorded and indexed in a book specially provided therefor, and a certified copy of such certificate, with a certificate of such officer of such filing and record, or a dupliate original of such certificate, shall be filed and similarly recorded and indexed in the office of the clerk of the county wherein the corporation has its principal place of business, and shall be noted in the margin of the record of the original certificate of such corporation, if any, in such offices, and thereafter the term of the existence of such corporation shall be extended as designated in such certificate.

The certificate of incorporation of any corporation whose duration is limited by such certificate or by law, may require that the consent of the stockholders owning a greater percentage than two-thirds of the stock, if a stock corporation, or of more than two-thirds of the members, if a non-stock corporation, shall be requisite to effect an extension of corporate existence as authorized by this section.

§ 2. This act shall take effect immediately.

Chap. 410.

AN ACT to amend the insurance law, in relation to fraternal beneficiary societies, orders and associations.

Became a law April 29, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Sections two hundred and forty-two and two hundred and forty-five of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter one hundred and ninety eight of the laws of nineteen hundred and eleven, are hereby amended to read as follows:

§ 242. **Reports and valuations.** 1. Every society transacting business in this state shall, annually, on or before the first day of March, file with the superintendent of insurance, in such form as he may require, a statement under oath of its president and secretary, or corresponding officers, of its condition and standing on the thirty-first day of December last preceding, and of its transactions for the year ending on that date, and shall also furnish such other information as the superintendent may deem necessary to a proper exhibit of its business and plan of working. Such superintendent may at other times require any further statement he may deem necessary to be made relating to such society.

2. In addition to the annual report herein required, each society shall report, annually, to the superintendent a valuation of its certificates in force on December thirty-first last preceding, excluding those issued within the year for which the report is filed, in cases where the contributions for the first year, in whole or in part, are used for current mortality and expenses; provided the first report of valuation shall be made as of December thirty-first, nineteen hundred and twelve. Such report of valuation shall show, as contingent liabilities, the present midyear value of the promised benefits provided in the constitution and laws of such society under certificates then subject to valuation; and, as contingent assets, the present midyear value of the future net contributions provided in the constitution and laws as the same are in practice actually collected, not including therein any value for the right to make extra assessments. At the option of any society, in lieu of the above, the valuation may show the net value of the certificates subject to valuation, hereinbefore provided, and said net value, when computed in case of monthly contributions, may be the mean of the terminal values for the end of the preceding and of the current insurance years.

3. Such valuations shall be certified by a competent accountant or actuary, or, at the request and expense of the society, verified by the actuary of the department of insurance of the home state of the society, and shall be filed with the superintendent within ninety days after the submission of the last preceding annual report. The legal minimum standard of valuation for all certificates, except those for disability benefits, shall be the National

Fraternal Congress table of mortality, as adopted by National Fraternal Congress, August twenty-third, eighteen hundred and ninety-nine, or at the option of the society, any higher table, or it may use a table based upon the society's own experience of at least twenty years and covering not less than one hundred thousand lives, with interest assumption not more than four per centum per annum. Each such valuation report shall set forth clearly and fully the mortality and interest basis and the method of valuation. Any society providing for disability benefits shall keep the net contributions for such benefits in a fund separate and apart from all other benefit and expense funds and the valuation of all other business of the society; provided, that, where a combined contribution table is used by a society for both death and permanent total disability benefits, the valuation shall be according to tables of reliable experience, and, in such case, a separation of the funds shall not be required. The valuation herein provided for shall not be considered or regarded as a test of the financial solvency of the society, except as provided in subsection five of this section, but each society shall be held to be legally solvent so long as the funds in its possesion are equal to or in excess of its matured liabilities.

4. Beginning with the year nineteen hundred and fourteen, a report of such valuation and an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each beneficiary member thereof not later than June first of each year, or, in lieu thereof, such report of valuation and showing of the society's condition as thereby disclosed may be published in the society's official paper and the issue containing the same be mailed to each such beneficiary member. The laws of such society shall provide that, if the stated periodical contributions of the members are insufficient to pay all matured death and disability claims in full and to provide for the creation and maintenance of the funds required by its laws, or found necessary otherwise, additional contributions, or additional, increased or extra rates of contribution shall be collected from the members to meet such deficiency; and such laws may provide that, upon the written application or consent of a member his certificate may be charged with its proportion of any deficiency disclosed by valuation, with interest not exceeding five per centum per annum.

5. If the valuation of the certificates, as hereinbefore provided, on December thirty-first, nineteen hundred and seventeen, shall show that the present value of future net contributions, together with the admitted assets, is less than the present value of the promised benefits and accrued liabilities, such society shall thereafter maintain said financial condition at each succeeding triennial valuation in respect of the degree of deficiency as shown in the valuation as of December thirty-first, nineteen hundred and seventeen. If, at any succeeding triennial valuation, such society does not show at least the same condition, the superintendent shall direct that it thereafter comply with the requirements herein specified. If the next succeeding triennial valuation after the receipt of such notice shall show that the society has failed to maintain the said condition required herein, the superintendent may, in the absence of good cause shown for such failure, institute proceedings for the liquidation and dissolution of such society, in accordance with the provisions of section sixty-three of this chapter, or, in the case of a foreign society, he may cancel its license to transact business in this state; provided that nothing contained in section sixty-three of this chapter shall be construed to authorize, prior to December thirty-first, nineteen hundred and seventeen, any application for the possession or liquidation of any society organized or transacting business pursuant to the provisions of this article by reason of the fact that the condition of such society is found, after examination, to be such that it could not meet the requirements for incorporation and authorization specified in this article.

6. Any such society shown by any triennial valuation, subsequent to December thirty-first, nineteen hundred and seventeen, not to have maintained the condition herein required shall, within two years thereafter, make such improvement as to show a percentage of deficiency not greater than as of December thirty-first, nineteen hundred and seventeen, or, thereafter, as to all new members admitted, be subject, so far as stated rates of contribution are concerned, to the provisions of section two hundred and thirty-four of this article applicable to the organization of new societies; provided that the net mortuary or beneficiary contributions and funds of such new members shall be kept separate and

apart from the other funds of the society. If such required improvement is not shown by the succeeding triennial valuation, then the said new members may be placed in a separate class, and their certificates valued, in respect to contributions and funds, as an independent society.

7. In lieu of the foregoing requirements, any society may accept in its laws the following provisions and may value its certificates on a basis, herein designated "accumulation basis," by crediting each member with the net amount contributed for each year and with interest at approximately the net rate earned, and by charging him with his share of the losses for each year, herein designated "cost of insurance," and carrying the balance, if any, to his credit. The charge for the cost of insurance may be according to the actual experience of the society applied to a table of mortality recognized by the law of this state, and shall take into consideration the amount at risk during each year, which shall be the amount payable at death less the credit to the member. Except as specifically provided in its articles or laws or contracts no charge shall be carried forward from the first valuation hereunder against any member for any past share of losses exceeding the contributions and credit. If, after the first valuation, any member's share of losses for any year exceeds his credit, including the contribution for the year, the contribution shall be increased to cover his share of the losses. Any such excess share of losses chargeable to any member may be paid out of a fund or contributions especially created or required for such purpose.

Any member may transfer to any plan adopted by the society with net rates on which tabular reserves are maintained and on such transfer shall be entitled to make such application of his credit as provided in the laws of the society.

Certificates issued, rerated or readjusted on a basis providing for adequate rates with adequate reserves to mature such certificates upon assumptions for mortality and interest recognized by the law of this state shall be valued on such basis, herein designated the "Tabular basis;" provided that if on the first valuation under this section, a deficiency in reserve shall be shown for any such certificate, the same shall be valued on the accumulation basis.

Whenever in any society having members upon the tabular basis and upon the accumulation basis, the total of all costs of insurance provided for any year shall be insufficient to meet the actual death and disability losses for the year, the deficiency shall be met for the year from the available funds after setting aside all credits in the reserve; or from increased contributions or by an increase in the number of assessments applied to the society as a whole or to classes of members as may be specified in its laws. Savings from a lower amount of death losses may be returned in like manner as may be specified in its laws.

If the laws of the society so provide, the assets representing the reserves of any separate class of members may be carried separately for such class as if in an independent society, and required reserve accumulation of such class so set apart shall not thereafter be mingled with the assets of other classes of the society.

A table showing the credits to individual members for each age and year of entry and showing opposite each credit the tabular reserve required on the whole life or other plan of insurance specified in the contract, according to assumptions for mortality and interest recognized by the law of this state and adopted by the society, shall be filed by the society with each annual report, and also be furnished to each member before July first of each year.

In lieu of the aforesaid statement there may be furnished to each member within the same time a statement giving the credit for such member and giving the tabular reserve and level rate required for a transfer carrying out the plan of insurance specified in the contract. No table or statement need be made or furnished where the reserves are maintained on the tabular basis.

For this purpose individual bookkeeping accounts for each member shall not be required and all calculations may be made by actuarial methods.

Nothing herein contained shall prevent the maintenance of such surplus over and above the credits on the accumulation basis and the reserves on the tabular basis as any society may provide by or pursuant to its laws; nor be construed as giving to the individual member any right or claim to any such reserve or credit other than the manner as expressed in the contract and its laws;

nor as making any such reserve or credits a liability in determining the legal solvency of the society.

§ 245. **Exemption of certain societies.** Nothing contained in this article shall be so construed as to affect or apply to grand or subordinate lodges of Masons, Odd Fellows, Knights of Pythias (exclusive of the insurance department of the supreme lodge Knights of Pythias), or to similar societies, orders or associations now doing business in this state which provide benefits exclusively through local or subordinate lodges, or to

(a) Orders, societies or associations which limit their admission to membership to any one hazardous occupation;

(b) Domestic societies which limit their membership to the employees of a particular city or town, designated firm, business house or corporation which provide for a death benefit of not more than four hundred dollars or disability benefits of not more than three hundred and fifty dollars to any one person in any one year, or both;

(c) Domestic societies or associations of a purely religious, charitable and benevolent description organized on January first, nineteen hundred and thirteen, which provide for a death benefit of not more than four hundred dollars or for disability benefits of not more than three hundred and fifty dollars to any one person in any one year, or both.

Provided, however, that any such society or association described in subdivisions b and c, which provides for death or disability benefits for which certificates are issued, and any such society or association included in subdivision c which has more than one thousand members, shall not be exempted from the provisions of this section or chapter, but shall comply with all the requirements thereof, and, provided further, that nothing in subdivisions (a) and (b) of subsection one of section two hundred and thirty-one of this chapter, and subsections two, three, four, five, six and seven of section two hundred and forty-two of this chapter shall affect or apply to the Independent Order Free Sons of Israel or to any corporation, society, order or voluntary association, which was, prior to the first day of March, nineteen hundred and eleven, organized and doing business in this state on the lodge system, as provided in subsection two of section two hundred and thirty of

this chapter which does not issue death benefit certificates in a sum exceeding five hundred dollars to any one member and whose membership is confined and limited exclusively to persons of one particular faith.

No society which, by the provisions of this section is exempt from the requirements of this article or chapter, except any society described in subdivision a, shall give or allow, or promise to give or allow, to any person any compensation for procuring new members.

The superintendent of insurance may require from any society or association, by examination or otherwise, such information as will enable him to determine whether such society or association is exempt from the provisions of this article or chapter.

Any fraternal benefit society heretofore organized and incorporated and operating within the definitions set forth in section two hundred and thirty of this article providing for benefits in case of death or disability resulting solely from accidents, but which does not obligate itself to pay death or sick benefits, may be licensed under the provisions of this article and shall have all the privileges and be subject to all the provisions and regulations of this article, except that the provisions thereof requiring medical examinations, valuations of benefit certificates, and that the certificates shall specify the amount of benefits, shall not apply to such society.

§ 2. This act shall take effect immediately.

Chap. 483.

AN ACT to amend the penal law, in relation to the issuance or circulation of false literature by insurance corporations.

Became a law May 8, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article one hundred and twelve of chapter eighty-eight of the laws of nineteen hundred and nine, entitled "An act

providing for the punishment of crime, constituting chapter forty of the consolidated laws," is hereby amended by adding at the end thereof a new section, to be section twelve hundred and three, to read as follows:

§ 1203. **Issue or circulation of false literature.** Any insurance corporation, or any officer, director or agent thereof who shall issue or circulate or cause or permit to be issued or circulated in this state any illustration, circular or statement indicating that such corporation can transact in this state any business of a character other than that which it is authorized to transact under the certificate of authority issued to it by the superintendent of insurance, shall be guilty of a misdemeanor, and the superintendent of insurance shall revoke the certificate of authority of the corporation or agent on a conviction for so offending.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 519.

AN ACT to amend the insurance law, in relation to applications for policies of insurance.

Became a law May 15, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section fifty-five of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter six hundred and thirty-four of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 55. **Insurance without the consent of the insured prohibited.** No policy of insurance shall be issued upon any property except upon the application and in the name of some person having an interest in the property. No policy or agreement for insurance shall be issued upon the life or health of another or against loss by disablement by accident except upon the application of the

person insured; but a wife may take a policy of insurance upon the life or health of her husband or against loss by his disablement by accident; an employer may take out a policy of insurance covering his employees collectively for the benefit of such as may suffer loss from injury, death or disablement resulting from sickness, and a person liable for the support of a child of the age of one year and upward may take a policy of insurance thereon, the amount payable under which may be made to increase with advancing age and which shall not exceed the sums specified in the following table, the ages wherein specified being the age at time of death, for an amount not exceeding the sums specified in the table:

Between the ages of one and two years, thirty dollars.

Between the ages of two and three years, thirty-four dollars.

Between the ages of three and four years, forty dollars.

Between the ages of four and five years, forty-eight dollars.

Between the ages of five and six years, fifty-eight dollars.

Between the ages of six and seven years, one hundred and forty dollars.

Between the ages of seven and eight years, one hundred and sixty-eight dollars.

Between the ages of eight and nine years, two hundred dollars.

Between the ages of nine and ten years, two hundred and forty dollars.

Between the ages of ten and eleven years, three hundred dollars.

Between the ages of eleven and twelve years, three hundred and eighty dollars.

Between the ages of twelve and thirteen years, four hundred and sixty dollars.

Between the ages of thirteen and sixteen years, five hundred and twenty dollars.

Between the ages of sixteen and seventeen years, six hundred and twelve dollars.

Between the ages of seventeen and eighteen years, seven hundred dollars.

Between the ages of eighteen and nineteen years, seven hundred and eighty-four dollars.

Between the ages of nineteen and twenty years, eight hundred and fifty-five dollars.

Between the ages of twenty and twenty-one years, nine hundred and thirty dollars.

In respect of insurance heretofore or hereafter, by any person not of the full age of twenty-one years but of the age of fifteen years or upwards, effected upon the life of such minor, for the benefit of such minor or for the benefit of the father, mother, husband, wife, brother or sister of such minor, the assured shall not, by reason only of such minority, be deemed incompetent to contract for such insurance or for the surrender of such insurance, or to give a valid discharge for any benefit accuring, or for money payable under the contract.

§ 2. This act shall take effect immediately.

Chap. 522.

AN ACT to amend the insurance law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of authority from the superintendent of insurance.

Became a law May 15, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and thirty-eight-a of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as added by chapter twenty-two of the laws of nineteen hundred and thirteen, is hereby amended to read as follows:

§ 138-a. **Public adjusters; certificate of authority.** The term "public adjuster" in this section shall include every person, partnership, association or corporation advertising, soliciting business or holding himself or itself out to the public as an adjuster of loss or damage by fire, or receiving any compensation or reward for the giving of advice or assistance to the assured in the adjust-

ment of claims for loss or damage by fire, and all persons who for compensation or reward, whether by way of salary or commission or otherwise, solicit business, investigate or adjust losses or advise the assured with reference to claims for loss or damage by fire, on behalf of any other person, partnership, association or corporation engaged in the business of adjusting loss or damage by fire.

No person, partnership, association or corporation shall, after July first, nineteen hundred and thirteen, act as a public adjuster, or receive for or because of services rendered in the adjustment of any claim or claims for loss or damage by fire under a policy or policies of insurance upon property within this state any money or commission or other thing of value, without first procuring a certificate of authority to act as a public adjuster from the superintendent of insurance.

The superintendent of insurance shall issue such adjuster's certificate of authority to a person, partnership, association or corporation, applying therefor, who is trustworthy and is competent to transact business as a public adjuster in such manner as to safeguard the interests of the public.

A certificate of authority issued to a corporation, partnership or association shall authorize only the officers and directors of the corporation, or the members of the partnership or association, specified in the certificate, each of whom must be qualified to obtain a certificate to act as adjuster. The fee to be paid to the superintendent of insurance by the applicant for such adjuster's certificate at the time the application is made, and annually for the renewal thereof, shall be twenty-five dollars. If the applicant be a corporation, partnership or association such fee shall be paid for each person specified in the certificate.

Every adjuster's certificate of authority shall expire on the thirty-first day of December of the calendar year in which the same shall have been issued, but if an application for the renewal of any such certificate shall have been filed with the superintendent of insurance before January first of any year the certificate of authority sought to be renewed shall continue in full force and effect until the issuance by the superintendent of insurance of the new certificate applied for or until five days after the superintendent of insurance shall have refused to issue such new

certificate and shall have served notice of such refusal on the applicant therefor. Service of such notice may be made either personally or by mail, and if by mail, shall be deemed complete if such notice is deposited in the post-office postage prepaid, directed to the applicant at the place of business specified in the application.

Before any adjuster's certificate of authority shall be issued by the superintendent of insurance there must be filed in his office a written application therefor. Such application shall be in the form or forms and supplements thereof prescribed by the superintendent of insurance and must set forth (1) the name and address of the applicant, and if the applicant be a partnership or association, the name and address of each member thereof, and if the applicant be a corporation, the name and address of each of its officers and directors; (2) whether any certificate of authority as agent, broker or adjuster has been issued theretofore by the superintendent of insurance to the applicant, and, if the applicant be an individual, whether any such certificate has been issued theretofore to any partnership or association of which he was or is a member or to any corporation of which he was or is an officer or director, and, if the applicant be a partnership or association, whether any such certificate has been issued theretofore to any member thereof, and, if the applicant be a corporation, whether any such certificate has been issued theretofore to any officer or director of such corporation; (3) the business in which the applicant has been engaged for the year next preceding the date of the application, and, if employed by another, the name or names and address or addresses of such employer or employers; (4) such information as the superintendent of insurance may require of applicants to enable him to determine their trustworthiness and competency to transact the business of adjuster in such manner as to safeguard the interests of the public.

An application for an adjuster's certificate of authority must be signed and verified by the applicant and, if made by a partnership or association, by each member thereof and if made by a corporation by each officer and director thereof to be authorized thereby to act as an adjuster.

If an application for a certificate of authority under this section be filed in the year nineteen hundred and thirteen within thirty days after this section takes effect the applicant and the persons named in the application may, notwithstanding the provisions of this section, act as public adjuster until notice of rejection of the application shall have been served as herein provided with respect to renewal applications.

A corporation, association or partnership to whom a certificate of authority shall have been issued by the superintendent of insurance under this section may at any time make an application to the superintendent of insurance for the issuance of a supplemental certificate of authority authorizing additional officers or directors of the corporation or members of the partnership or association to act as adjusters, and the superintendent of insurance may thereupon issue to such corporation, association or partnership a supplemental certificate accordingly upon the payment of an additional fee for each member or officer or director thereby authorized to act as an adjuster.

A certificate issued under this section shall be revoked by the superintendent, if after due investigation and a hearing either before him or before any salaried employee of the insurance department designated by him whose report he may adopt, he determines that the holder of such certificate (1) has violated any provision of the chapter by any act or thing done in respect to insurance for which such certificate is required; or (2) has made a material misstatement in the application for such certificate; or (3) has been guilty of fraudulent practices; or (4) has demonstrated his incompetency or untrustworthiness to transact the business for which such certificate of authority shall have been granted by reason of anything done or omitted in or about such business under the authority of such certificate.

No individual, partnership, association or corporation whose certificate of authority is so revoked nor any partnership or association of which such individual is a member, nor any corporation of which he is an officer or director shall be entitled to any certificate of authority under this section for a period of one year after such revocation, or, if such revocation be reviewed by certiorari proceedings, for one year after the final determination thereof

affirming the action of the superintendent in revoking such certificate. If any such certificate held by a partnership, association or corporation be so revoked, no member of the partnership or association or officer or director of the corporation shall be entitled to such a certificate for the same period of time, if the superintendent of insurance determines and finds that such member or officer or director was personally at fault in the matter on account of which the certificate was revoked. The holder of any such certificate or any person aggrieved may file with the superintendent of insurance a verified complaint setting forth facts from which it shall appear that any such certificate ought to be revoked. The superintendent must thereupon, after investigation and a hearing as herein provided, determine whether such certificate shall be revoked.

If an application for a certificate of authority under this section be rejected or such a certificate be revoked by the superintendent of insurance notice thereof shall forthwith be served on the applicant or on the holder of such certificate either personally or by mail, and, if by mail, such service shall be complete if such notice be deposited in the post-office postage prepaid, directed to the applicant or the holder of such certificate, as the case may be, at the place of business specified in the application or certificate.

The action of the superintendent of insurance in granting or refusing to grant or to renew a certificate of authority or in revoking or refusing to revoke such a certificate shall be subject to review by writ of certiorari, at the instance of the applicant for such certificate, the holder of a certificate so revoked or the holder of any such certificate or the person aggrieved. If the superintendent of insurance shall revoke or shall refuse to renew the certificate of authority of any adjuster issued under this section and such adjuster shall apply for a writ of certiorari to review such action, the certificate of authority of such adjuster shall be deemed to be in full force and effect for all purposes, including the right to renewal, until the final determination of such certiorari proceedings and all appeals therefrom, provided the fee for such certificate be paid.

This section shall not apply to an agent or employee of an underwriter by whom a policy of insurance against loss or damage

by fire shall have been written upon property within this state, in adjusting loss or damage under such policy nor to a broker acting as adjuster without compensation for a client for whom he is acting as broker, nor to contracts made by persons, partnerships, associations or corporations authorized to do business under article nine of this chapter.

Any person, partnership, association or corporation violating any of the provisions of this section shall, in addition to any other penalty in this chapter provided, forfeit to the people of the state five hundred dollars.

§ 2. This act shall take effect immediately.

Chap. 536.

AN ACT to amend the code of civil procedure, in relation to an action for divorce.

Became a law May 15, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The code of civil procedure is hereby amended by adding thereto a new section, to be section seventeen hundred and sixty-one, to read as follows:

§ 1761. **Regulation when action brought by either husband or wife.** Whenever the relation of husband and wife ceases by the entry of a judgment dissolving the marriage, the defendant guilty of adultery is not entitled to any interest in any policy of insurance on the life of the plaintiff, wherein such defendant is named as a beneficiary, and the plaintiff may apply to the court granting the final decree or to a special term of the supreme court on notice to the defendant, or the attorney who appeared for defendant in action for divorce, and to the insurance company issuing the policy or policies, for an order directing the insurance company issuing the policy or policies to substitute therein such beneficiary as the plaintiff may nominate. In case where it is shown that the defendant has contributed from his or her separate

estate toward the payment of the premiums on such policy, the court shall grant such order on such terms as in the discretion of the court shall be equitable. This section shall also apply in like manner when the defendant obtains a decree against the plaintiff on a counterclaim.

§ 2. This act shall take effect September first, nineteen hundred and thirteen.

Chap. 596.

AN ACT to amend the insurance law, in relation to investments of domestic life insurance corporations.

Became a law May 17, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter seven hundred and sixty-seven of the laws of nineteen hundred and eleven, is hereby amended to read as follows:

§ 100. **Investments.** No domestic life insurance corporation, whether incorporated by special act or under a general law, shall invest in or loan upon any shares of stock of any corporation, other than a municipal corporation, nor, excepting government, state or municipal securities, shall it invest in, or loan upon, any bonds or obligations which shall not be secured by adequate collateral security or where more than one-third of the total value of the collateral security therefor shall consist of shares of stock. Every such corporation which on the first day of June, nineteen hundred and six, owned any shares of stock other than public stocks of municipal corporations, whenever the same were acquired, or any bonds or obligations of the kinds above described where said bonds or obligations were acquired after the first day of March, nineteen hundred and six, shall dispose of said shares of stocks and of said bonds and obligations within ten years from

the thirty-first day of December, nineteen hundred and six, and in each year prior to the the expiration of said ten years shall make such reduction of its holdings of said securities as may be approved in writing by the superintendent of insurance. No investment or loan shall be made by any such life insurance corporation unless the same shall first have been authorized by the board of directors or by a committee thereof charged with the duty of supervising such investment or loan. No such corporation shall subscribe to or participate in any underwriting of the purchase or sale of securities or property, or enter into any transaction for such purchase or sale on account of said corporation jointly with any other person, firm or corporation; nor shall any such corporation enter into any agreement to withold from sale any of its property, but the disposition of its property shall be at all times within the control of its board of directors. Any such corporation, in addition to other investments allowed by law, may invest any of its funds in any duly authorized bonds or evidences of debt of any government in which such corporation is transacting business, or of any state, or of any city, county, town, village, school district, municipality or other civil division of any state and may loan upon the security of improved unincumbered real property in any state worth fifty per centum more than the amount loaned thereon. Provided, however, that nothing in this section contained shall be construed as prohibiting a life insurance company from entering into an agreement for the purpose of protecting the interests of the company in securities lawfully held by it, or for the purpose of reorganization of a corporation which issued securities so held, and from depositing such securities with a committee or depositaries appointed under such agreement; but such agreement and deposit of securities thereunder must first be approved in writing by the superintendent of insurance with a statement of his reason for such approval. Nor shall this section be construed as preventing such company from accepting corporate stock or bonds or other securities, which may be distributed pursuant to any such agreement approved as aforesaid or to any plan of reorganization approved in writing by the superintendent of insurance with a statement of his reason for such approval. But if any securities so received shall consist in

whole or in part of stock in any corporation or of bonds or obligations which shall not be secured by adequate collateral security or where more than one-third of the total value of the collateral security therefor shall consist of shares of stock, then any stock and any such bond or obligation so received shall be disposed of within five years from the time of their acquisition or before the expiration of such further period or periods of time as may be fixed in writing for that purpose by the superintendent of insurance.

§ 2. This act shall take effect immediately.

Chap. 766.

AN ACT to amend the general corporation law, in regard to receiver's title to property and general powers of receivers.

Became a law May 27, 1913, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. That section two hundred and thirty-two of chapter twenty-eight of the laws of nineteen hundred and nine, entitled "An act relating to corporations generally, constituting chapter twenty-three of the consolidated laws," is hereby amended to read as follows:

§ 232. **Receiver's title to property.** Such receivers shall, from the time of their having filed the security required by law, be vested with all the property, real or personal, vested or contingent, of the corporation.

§ 2. Subdivision one of section two hundred and thirty-nine of chapter twenty-eight of the laws of nineteen hundred and nine, entitled "An act relating to corporations generally, constituting chapter twenty-three of the consolidated laws," is hereby amended to read as follows:

§ 239. **General powers of receivers.** The said receivers shall have power:

1. To sue in their own names or otherwise, and recover all the property, debts and things in action, belonging or due or to

become due to such corporation, whether accruing or maturing before or after the dissolution thereof and whether vested or contingent at the time of such dissolution, in the same manner and with the like effect as such corporation might or could have done if no receivers had been appointed; and no set-off shall be allowed in any such suit, for any debt, unless it was owing to such creditor by such corporation before the appointment of the receiver of such corporation, or unless it shall have been duly contracted by such receiver subsequent to his appointment; notwithstanding the notice to creditors the receivers may sue for and recover any property or effects of the corporation and any debts due to it, at any time, before the day appointed for the delivery or payment thereof;

§ 3. This act shall take effect immediately.

INSURANCE DECISIONS

BY THE

COURT OF APPEALS

INSURANCE DECISIONS BY THE COURT OF APPEALS

THE BANKERS SURETY COMPANY, Respondent, *v.* CHRISTIAN D. MEYER et al., as Administrators of the Estate of FREDERIC MEYER, Deceased, Appellants.

Decedent's estate — action to have notes, made by decedent but not yet due, declared valid and subsisting claims against decedent and entitled to share in the distribution of his estate.

Plaintiff alleges that it is the holder of promissory notes made by plaintiff's intestate which are not yet due and which will not become due for several years; that the defendants have rejected the claim therefor which has been presented to them, and that there is danger that the said estate will be distributed, paid out or dissipated without paying or adequately securing the claim of plaintiff unless plaintiff's claim is approved and established in this action as a valid and subsisting claim against it. The relief demanded is that said notes be declared good and valid instruments, and that enough of the property in the hands of defendants as representatives of the estate of the maker of said notes be set aside to meet said notes as they become due on their respective dates of maturity. *Held*, that since there is no provision in the Code of Civil Proceedure which affords adequate protection, this action may be maintained to establish the validity of the notes and that the plaintiff is a creditor of the estate of the decedent and entitled to share in its distribution, but that it is not necessary to provide in the judgment that the defendants set apart sufficient funds with which to meet the notes, that being provided for by the Code if this action is sustained. (*Ludington* v. *Thompson*, 153 N. Y. 499, followed.)

Bankers Surety Co. v. *Meyer*, 146 App. Div. 867, affirmed.

(Argued March 18, 1912; decided April 9, 1912.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered November 17, 1911, which reversed an order of Special Term denying a motion by plaintiff for judgment on the pleadings and granted said motion, with leave to defendants to withdraw their demurrer and serve an answer.

The following question was certified: "Does the complaint state facts sufficient to constitute a cause of action?"

Rudolph F. Rabe for appellants.

William H. Hamilton, Norman C. Conklin and *Edward J. Dowling,* for respondent.

CULLEN, Ch. J., HAIGHT, VANN, WILLARD BARTLETT, CHASE and COLLIN, JJ., concur.

Order affirmed.

BENEVOLENT AND PROTECTIVE ORDER OF ELKS, Respondent *v.* IMPROVED BENEVOLENT AND PROTECTIVE ORDER OF ELKS OF THE WORLD et al., Appellants.

Injunction — corporate names — a membership corporation may maintain an action for an injunction restraining a similar corporation from using the same or a similar name.

1. The right to relief by injunction against the unfair and misleading use of a corporate name is not confined to business corporations.
2. The plaintiff was incorporated in 1871 by a special act of the legislature, under the name of the "Benevolent and Protective Order of Elks," "to protect and aid its members," and is authorized to acquire and hold real and personal property, to sell and dispose of the same, to have and use a common seal and to establish branch organizations, and now has branches in many other states and a large aggregate membership. The defendant was organized under the Membership Corporations Law in 1907, under the name of the "Grand Lodge of the Improved Benevolent and Protective Order of Elks of the World," but in its publications it appears as the "Improved Benevolent and Protective Order of Elks of the World." Its objects are similar to those of the plaintiff, and it has established branch organizations in this state and elsewhere. *Held,* that the names of the plaintiff and defendant are so similar as to be likely to deceive; that the judgment of the trial court enjoining the defendant from in anywise using the word "Elk" or "Elks" as part of its title or incorporation should be sustained; but that the judgment should be modified by striking out the provisions prohibiting the defendant from using the same colors and the same titles for its officers as those used by the plaintiff.

B. P. O. Elks v. *Improved B. P. O. Elks,* 136 App. Div. 896, modified.

(Submitted May 9, 1912; decided May 24, 1912.)

APPEAL, by permission, from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered December 30, 1909, which unanimously affirmed a judgment of Special Term enjoining and restraining the defendants

from using the name "Improved Benevolent and Protective Order of Elks of the World" or any similar name and from adopting and using badges, buttons and colors similar to those in use by the plaintiff.

Anderson Price and *D. Macon Webster* for appellants.

Thomas F. Curran for respondent.

Cullen, Ch. J., Gray, Haight, Vann, Werner and Chase, JJ., concur.

Judgment affirmed.

Robert L. Searchy, Respondent, *v.* Casualty Company of America, Appellant.

Searcy v. *Casualty Co. of America*, 149 App. Div. 316, appeal dismissed.

(Argued April 29, 1912; decided May 7, 1912.)

Motion to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered February 23, 1912, affirming a judgment in favor of plaintiff entered upon a verdict in an action on a contract for services.

The motion was made upon the ground that the appeal was from an unanimous affirmance in an action specified in subdivision 2 of section 191 of the Code of Civil Procedure and that permission to appeal had not been obtained.

I. R. Oeland for motion.

Theodore R. Lord opposed.

Motion granted and appeal dismissed, with costs and ten dollars costs of motion.

William Hauser, Respondent *v.* North British and Mercantile Insurance Company, Appellant.

Constitutional law — rule for testing constitutionality of a statute affecting the occupation of a citizen — unconstitutionality of section 142 of Insurance Law confining the business of procuring insurance, as brokers or agents, to a designated class.

1. The constitutionality of an act affecting the business of a citizen is to be tested by its effect upon his right freely to pursue a lawful occupation. A statue under the guise of an exercise of the police power cannot arbitrarily

interfere with that liberty of pursuit; the equal protection of the laws means equality of opportunity to all in like circumstances, and classification to be valid must not be arbitrary and discriminate against persons without a basis in reason.

2. Section 142 of the Insurance Law, first inserted in 1911 by chapter 748 of the laws of that year, as amended by chapter 1 of the Laws of 1912, the purpose of which is to confine the business of broker in procuring insurance to those who should make that their principal business, or who should be real estate agents, or brokers, is unconstitutional.

Hauser v. *N. B. & M. Ins. Co.*, 152 App. Div. 91, affirmed.

(Submitted October 25, 1912; decided November 19, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered July 26, 1912, in favor of plaintiff upon the submission of a controversy under section 1279 of the Code of Civil Procedure.

The nature of the controversy and the facts, so far as material, are stated in the opinion.

W. H. Van Benschoten for appellant.

William B. Ellison as amicus curiæ.

William Hauser, respondent in person.

CULLEN, Ch. J., HAIGHT, VANN, WERNER, CHASE and COLLIN, JJ., concur.

Judgment affirmed.

SAMUEL GREEN, Appellant, *v.* SUPREME COUNCIL OF THE ROYAL ARCANUM et al., Respondents.

Benefit associations — illegal amendment to by-laws increasing rate of assessment without member's consent.

1. A membership contract in a mutual benefit association, in which the member agrees "to conform in all respects to the laws, rules and usages of the order now in force or which may hereafter be adopted by the same," does not authorize a subsequent amendment of the by-laws without the member's consent, if the effect of such amendment is to increase the rate of assessment or to reduce the amount of the benefit as fixed by the contract, although the certificate issued to him by the defendant was upon condition "that the said member complies, in the future, with the laws, rules and regulations now governing the said Council and Fund, or that may hereafter be enacted by the Supreme Council to govern said Council and Fund."

2. The rights of the plaintiff are not affected by the fact that the defendant is a corporation organized under the laws of Massachusetts, nor by the provi-

sions of the present statute of that state which was enacted subsequent to the time when plaintiff became a member of the association.

Green v. *Royal Arcanum*, 144 App. Div. 761, reversed.

(Argued November 25, 1912; decided December 10, 1912.)

APPEAL from an order of the Appellate Division of the Supreme Court in the second judicial department, entered May 19, 1911, reversing a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term.

F. J. Moissen for appellant.

Howard C. Wiggins and *Curtis H. Waterman* for respondents.

CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER, CHASE and COLLIN, JJ., concur.

Order reversed etc.

ROBERT M. WHITING, Appellant, *v.* THE FIDELITY MUTUAL LIFE ASSOCIATION OF PHILADELPHIA, Respondent.

Whiting v. *Fidelity Mut. Life Assn. of Philadelphia*, 150 App. Div. 157, appeal dismissed.

(Argued June 4, 1912; decided June 18, 1912.)

APPEAL from an order of the Appellate Division of the Supreme ourt in the first judicial department, entered April 11, 1912, which vacated a judgment entered by plaintiff upon a remittitur from the Court of Appeals directing judgment absolute in favor of plaintiff and directed the entry of judgment in another form.

Alexander S. Bacon for appellant.

William B. Ellison and *Bruce Ellison* for respondent.

Appeal dismissed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, WILLARD BARTLETT, HISCOCK, CHASE and COLLIN, JJ.

MOE PARIS et al., Respondents, *v.* LAWYERS TITLE INSURANCE AND TRUST COMPANY, Appellant, and DAVID KRATENSTEIN et al., Respondents, Impleaded with Others.

Subrogation — when doctrine not applicable.

The facts examined in an action where one of the questions at issue was as to whether a certain lien on real property should be subordinated to subse-

quent mortgages for the reason that the lienors had released their claim against the original owner and thereby impaired the mortgagee's right of subrogation, and *held*, the doctrine of subrogation not applicable.

Paris v. *Lawyers Title Ins. & Trust Co.*, 141 App. Div. 866, affirmed.

(Argued May 20, 1912; decided June 18, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered January 6, 1911, affirming a judgment entered upon a decision of the court on trial at Special Term.

On March 20, 1909, Samuel Silverstein was the owner of certain real property in the borough of Brooklyn, city of New York, consisting of ten lots. On that day he borrowed of the plaintiffs $18,750, for which he gave his bond with a mortgage on said lots as collateral thereto, which mortgage was duly recorded March 24, 1909. Soon thereafter Silverstein commenced the erection of a house on each of said lots and entered into contracts with the defendants David Kratenstein and Joseph Weinstein and with others for certain parts of the labor and materials for the erection of said houses. On July 27, 1909, said houses were partially completed. On that day Silverstein conveyed all of said lots with the buildings thereon to the Little Giant Realty Company, a domestic corporation. Included in the deed was a special covenant by which said corporation "assumed the payment of all the claims for materials furnished and labor performed upon and toward the erection of said buildings." On the same day said corporation executed to the Eltoma Realty Company, a domestic corporation, ten bonds for $5,500 each, with ten mortgages — one upon each of said lots — as collateral to said bonds respectively, and the Eltoma Company advanced to the Little Giant Company $2,750 on each of said bonds and mortgages. On the same day the Little Giant Company paid to the plaintiffs the interest on their mortgage to that date and $3,750 upon the principal, and the plaintiffs executed an agreement to and with the Eltoma Company and the Little Giant Company whereby they subordinated their mortgage covering all said real property to the ten mortgages given to the Eltoma Company to the extent of $27,500, the amount paid on account thereof. There-

upon the Eltoma Company sold and assigned said ten bonds and mortgages to the defendant Lawyers Title Insurance and Trust Company. After the execution and delivery of the said deed and mortgages, but before the record thereof, the defendants Kratenstein and Weinstein and several others filed liens against said real property for materials furnished and labor performed upon and toward the erection of said buildings.

On November 19, 1909, Kratenstein and Weinstein received from Silverstein a payment of $1,000 on account of their lien and they executed to Silverstein a general release discharging him from all claims of every name and nature to that date. The release so executed by Kratenstein and Weinstein was delivered to a third person in escrow "until the final determination of a certain action entitled *Paris* v. *Little Giant Realty Company et al.* (this action) and a determination of the rights of * * * and Kratenstein and Weinstein under two certain mechanic's liens filed by them against property in * * * (this property). Upon a final determination of the rights under said liens said releases are to be delivered to S. Silverstein irrespective of any personal judgment that may be entered against him by virtue of said liens. The said releases shall not be construed as a waiver of any rights under said liens except as herein set forth."

The issues joined in the action were decided June 8, 1910, and the court directed a sale of the real property, and that from the proceeds thereof after the payment of the costs there be paid: 1. To the Lawyers Title Insurance and Trust Company on its mortgages an amount equal to the plaintiffs' mortgage with interest. 2. To the lienors whose liens were established by the judgment including the lien of Kratenstein and Weinstein the amount found due on their liens respectively according to priority. 3. To the Lawyers Title Insurance and Trust Company the amount of its mortgages and interest less the amount paid to it as above provided and the amount paid on said liens. 4. To the plaintiffs the amount of their mortgage and interest. 5. To the Lawyers Title Insurance and Trust Company the amount then remaining unpaid on its mortgages.

The Lawyers Title Insurance and Trust Company appealed from said judgment to the Appellate Division where the judg-

ment was sustained by a divided court; an appeal was then taken from said judgment of affirmance to this court.

Philip S. Dean for appellant.

Charles Meyers for plaintiffs, respondents.

Abraham Spigelgass and *Joseph J. Schwartz* for defendants, respondents.

CULLEN, Ch. J., GRAY, WILLARD BARTLETT, HISCOCK, and COLLIN, JJ., concur; VANN, J., absent.

Judgment affirmed.

COLUMBUS DRY GOODS COMPANY, Respondent, *v.* GLOBE AND RUTGERS FIRE INSURANCE COMPANY, Appellant.

Columbus Dry Goods Co. v. *Globe & R. F. Ins. Co.*, 142 App. Div. 561, affirmed.

(Submitted June 13, 1912; decided June 29, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered February 8, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover upon a binder of fire insurance.

Charles D. Cleveland and *Frederick T. Kelsey* for appellant.

Chester A. Jayne for respondent.

Judgment affirmed, with costs, on opinion of INGRAHAM, P. J., below.

Concur: CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER and COLLIN, JJ. Absent: HISCOCK, J.

SIMON HEILBRUNN, Appellant, *v.* GERMAN ALLIANCE INSURANCE COMPANY OF NEW YORK, Respondent.

Heilbrunn v. *German Alliance Ins. Co.*, 150 App. Div. 670, appeal dismissed.

(Submitted October 2, 1912; decided October 22, 1912.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered May 31, 1912, which affirmed an order of Special Term overruling a demurrer to the answer and denying a motion for judgment on

the pleadings in an action to recover under a mortgagee clause in a policy of fire insurance.

Jacob R. Schiff for appellant.

Leo Levy for respondent.

Appeal dismissed, with costs, upon the ground that no question for determination has been certified to this court as required by subdivision 2 of section 190 of the Code of Civil Procedure; no opinion.

Concur: Cullen, Ch. J., Haight, Vann, Willard Bartlett, Hiscock, Chase and Collin, JJ.

Ellen J. Wynn, Appellant, *v.* The Provident Life and Trust Company of Philadelphia, Respondent.

Trial — question for jury.

Where there is some evidence in favor of the plaintiff in each of the issues litigated, the questions of fact should be submitted to the jury, in the absence of a request from both parties for the direction of a verdict, or a request from one side and the acquiescence of the other.

Wynn v. *Provident Life & Trust Co. of Philadelphia*, 142 App. Div. 913, reversed.

(Submitted October 10, 1912; decided October 29, 1912.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered December 5, 1910, affirming a judgment in favor of defendant entered upon a verdict directed by the court.

John J. Linson and *E. Metzger* for appellant.

Amos Van Etten for respondent.

Cullen, Ch. J., Vann, Willard Bartlett, Hiscock, Chase and Collin, JJ., concur; Haight, J., absent.

Judgment reversed, etc.

Richard S. White et al., Appellants, *v.* The Maryland Casualty Company, Respondent.

White v. *Maryland Casualty Co.*, 142 App. Div. 945, affirmed.

(Argued October 10, 1912; decided October 29, 1912.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered January 31, 1911, which affirmed a final judgment in favor of

defendant dismissing the complaint after a demurrer thereto had been sustained in an action to recover upon a policy of indemnity insurance.

Alfred B. Cruikshank for appellants.

James J. Mahoney and *M. J. Wright* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., HAIGHT, VANN, WILLARD BARTLETT, HISCOCK, CHASE and COLLIN, JJ.

ANNA J. FOSTER, as Assignee of BRIGETTA J. TATE, Respondent, *v.* GREAT EASTERN CASUALTY AND INDEMNITY COMPANY OF NEW YORK, Appellant.

Tate v. *Great Eastern Casualty & Indemnity Co.*, 143 App. Div. 919, affirmed.

(Argued October 14, 1912; decided October 29, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered February 23, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover on a policy of accident insurance.

Irving W. Cole and *Samuel H. Guggenheimer* for appellant.

Arthur B. Ottaway for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch J., HAIGHT, VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ. Absent: GRAY, J.

MATILDA FITZPATRICK, Respondent, *v.* KNIGHTS OF COLUMBUS, Appellant.

Fitzpatrick v. *Knights of Columbus*, 143 App. Div. 540, affirmed.

(Argued November 1, 1912; decided November 19, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered April 3, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover upon a contract of life insurance.

William L. Gellert and *James E. Carroll* for appellant.

Walter Farrington and *George Card* for respondent.

Judgment affirmed, with costs, on opinion of Woodward, J., below.

Concur: Gray, Werner, Willard Bartlett, Hiscock, Chase and Collin, JJ. Absent: Cullen, Ch. J.

Daniel J. Creem et al., Respondents and Appellants, *v.* The Fidelity and Casualty Company of New York, Appellant and Respondent.

Insurance — limitation of actions.

Upon examination of the facts, in an action brought upon a policy of liability insurance, *held*, that it was commenced within the time limited by the express provisions of the policy.

Creem v. *Fidelity & Casualty Co.*, 141 App. Div. 493, modified.

(Argued October 10, 1912; decided November 26, 1912.)

Cross-appeals from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 18, 1911, modifying and affirming as modified a judgment in favor of plaintiff entered upon a verdict directed by the court.

This action was brought on a policy of liability insurance, by which the defendant indemnified the plaintiffs in the sum of $5,000, for the term of one year commencing April 1, 1896, against damages recovered for personal injuries sustained by their employees, or by the public generally through the negligence of their employees. The policy, among other things, provided that

"2. The assured, upon the occurrence of an accident, and also upon receiving information of a claim on account of an accident, shall give immediate notice in writing of such accident or claim with full particulars to the Company, at its office in New York City, or to the agent if any, who has countersigned this policy.

"3. If thereafter any legal proceedings are taken against the assured to enforce a claim for damages on account of such accident, the Company will defend the same at its own cost, in the name and on behalf of the assured.

"4. The assured shall not, except at his own cost, settle any

claim, nor incur any expense, nor interfere in any negotiation for settlement or in any legal proceedings without the consent of the Company previously given in writing, but he may provide such immediate surgical relief as may be imperative. The assured shall render the Company all reasonable aid in securing information and evidence in effecting settlements and in case the Company calls for the attendance of any employee or employees as witnesses in suits, the assured will secure his or their attendance, making no charge for his or their loss of time.

"12. No action shall lie against the Company after the expiration of the period within which an action for damages on account of the given injuries or death might be brought by such claimant or his representatives against the assured, unless at the expiration of said period there is a suit arising out of such accident, pending against the assured, in which case an action may be brought in respect to the claim involved in such action against the Company by the assured within thirty days after final judgment is rendered in such suit, and not later.

"13. In case of loss under this policy, the Company shall be subrogated to all claims or rights of the assured in respect to such loss against any third party or parties, and the assured shall execute any and all papers required to secure to the Company said rights."

On the 6th day of June, 1896, one Kate Johnston, while passing along a public street, sustained personal injuries, alleged to have been caused by an obstruction which was suffered to remain therein by the Phœnix Bridge Company, who were the original contractors for the building of the foundation for the pillars of an elevated railroad, but which, in fact, was the fault of the plaintiffs herein, to whom the contract had been sublet. Thereafter Mrs. Johnston and her husband each brought an action in the Supreme Court against the bridge company, she to recover damages for the injuries which she had sustained by the fall, and the husband for his loss of her services and the expenses incurred thereby. These actions finally resulted in judgments being entered against the bridge company, that of Kate Johnston for $7,887.23, January 23, 1902, and that of her husband for $4,348.40, May 10, 1902. Thereafter the judgments so recovered against the bridge company

were paid, and on the 3d day of June, 1902, it brought two actions against the plaintiffs in this action to recover the amount of the judgments that the company had been obliged to pay. The first action, which was predicated on the Kate Johnston judgment, resulted in a verdict in favor of these plaintiffs. The other action, which was predicated upon the judgment of Bernard Johnston, the husband, resulted in a verdict directed for the bridge company, amounting then to the sum of $5,636.32. This judgment was finally affirmed in the Court of Appeals on the 25th day of June, 1906, and thereupon on the 3d day of July thereafter this action was commenced by the plaintiffs to recover from the defendant the stipulated indemnity under its policy of insurance.

In the meantime and on the 7th day of April, 1899, actions were commenced by Kate Johnston and Bernard Johnston, her husband, against the plaintiffs in this action for the same cause of action as those which were pending against the bridge company. After, however, the judgments recovered against the bridge company were paid, and after the bridge company had brought its actions against the plaintiffs herein, the Johnston actions against the plaintiffs were discontinued, without costs, on the stipulation of Nadal, the attorney for the defendant herein, who was defending the bridge company in the actions prosecuted by the Johnstons, and who also appeared for the plaintiffs in the action brought against them by the Johnstons. The stipulation, however, was given without the knowledge or consent of these plaintiffs. It further appeared that shortly after the Johnstons had brought their actions against the bridge company, the company, who also held an insurance policy issued by the defendant, called upon the defendant to defend the actions, and that thereupon Charles C. Nadal appeared for the company and undertook the defense. Shortly thereafter he wrote the plaintiffs informing them that a suit had been brought against the bridge company to recover damages for injuries that had been received in consequence of the default of the servants of these plaintiffs and solicited their co-operation in the preparation for trial. Thereupon Mr. Creem, one of the plaintiffs, called upon Nadal, taking his policy with him and exhibiting the same to Nadal, who then undertook to look out for their interests also in

the litigation and subsequently appeared in the actions by the Johnstons against the plaintiffs. Upon the trial the court submitted to the jury but one question, as follows: "Did Charles C. Nadal in or about the month of March, 1899, have the conversation and make the promises and representations to the plaintiff as testified to by Daniel J. Creem, and, if so, did the plaintiff accept and rely upon such promises and act in accordance therewith? You will answer either 'yes' or 'no.'" The jury returned a verdict, answering the question in the affirmative, and thereupon the court ordered judgment for the plaintiffs.

Henry W. Taft and *Charles C. Nadal* for defendant, appellant and respondent.

Herbert C. Smith, Frederic C. Scofield and *William W. Gooch* for plaintiffs, respondents and appellants.

The judgment should be modified by increasing the same in the amount of $582.94, with interest from date of judgment, and as so modified affirmed, with costs to the plaintiffs.

Cullen, Ch. J., Vann, Willard Bartlett, Hiscock, Chase and Collin, JJ., concur.

Judgment accordingly.

Solomon M. Rosenthal et al., Respondents, *v.* American Bonding Company of Baltimore, Appellant.

Insurance (burglary) — construction of policy — when insurer not liable unless there are visible marks of actual force and violence in entry of premises for commission of burglary.

1. If the parties to a contract adopt a provision which contravenes no principle of public policy and contains no element of ambiguity the courts have no right to relieve one of them from disadvantageous terms, by a process of interpretation. If a policy of insurance is of doubtful tenor the courts should employ that interpretation which is the more exacting against the insurer who has prepared the contract. But if the contract is not of uncertain meaning the courts may not make a new one under the guise of construction.

2. A policy of insurance set forth, first, that the indemnity was granted "For direct loss by burglary of any of the merchandise described in the schedule * * * occasioned by its felonious abstraction from the store, warehouse, office, loft or rooms, * * * occupied by the assured in the manner set forth in the schedule. by any person or persons who have made forcible and

violent entrance upon the premises, or exit therefrom, of which force and violence there shall be visible evidence." Another clause provides: "The Company shall not be liable: (1) Unless there are *visible marks upon the premises* of the actual force and violence used in making entry into the said premises or exit therefrom." This action is brought to recover on the policy. The burglary occurred while two of plaintiff's employees were in their place of business, the outer door being unlocked. While they were engaged in their duties two persons, with pistols in their hands, entered by simply opening the door in an ordinary manner, and after assaulting the employees took and carried away a large amount of property. *Held*, that the requirement that the violence and force employed in effecting a burglarious entry into premises must produce "visible marks upon the premises" means that the force and violence in "making entry" must create visible traces upon the premises themselves which survive the act that produces them, and which being seen are evidence of a burglary. Hence this provision is not satisfied under the circumstances of this case and plaintiff cannot recover.

Rosenthal v. *American Bonding Co.*, 143 App. Div. 362, reversed.

(Argued December 3, 1912; decided December 31, 1912.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered March 27, 1911, affirming a judgment in favor of plaintiffs entered upon a verdict directed by the court.

John Ewen for appellant.

Ernest Hall for respondents.

Vann, Willard Bartlett, Chase and Collin, JJ., concur; Cullen, Ch. J., and Haight, J., dissent.

Judgment reversed, etc.

Virginia O'Brien, Appellant, *v.* Union Central Life Insurance Company, Respondent.

Insurance (life) — forfeiture of policy for failure of insured to pay notes given for premium — if statutory notice to pay premium has been given before premium becomes due, no notice need be given as to notes given for such premium.

1. Notice is not required under the statute (Ins. Law, § 92; Cons. Laws, ch. 28) prior to notes becoming due which are given for a premium when the statutory notice has been given as required thereby prior to the premium becoming due. (*Conway v. Phœnix M. L. Ins. Co.*, 140 N. Y. 79, followed: *Strauss* v. *Union Central Life Ins. Co.*, 170 N. Y. 349, explained.)
2. It cannot be said that a case is not authority on one point, because, although that point was properly presented and decided in the regular course

of the consideration of the cause, some other point was also considered and decided which was alone sufficient to dispose of the whole issue.

O'Brien v. *Union Central Life Ins. Co.*, 140 App. Div. 362, affirmed.

(Argued December 2, 1912; decided December 31, 1912.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered November 15, 1910, sustaining defendant's exceptions, ordered to be heard in the first instance by the Appellate Division after the direction of a verdict in favor of plaintiff and granting a motion for a new trial.

John E. Roeser for appellant.

John N. Blair for respondent.

CULLEN, Ch. J., HAIGHT, VANN, WILLARD BARTLETT and HISCOCK, JJ., concur; COLLIN, J., absent.

Order affirmed, etc.

MINNIE FLYNN, Respondent, *v.* THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, Appellant.

Insurance (life) — restriction on insurance on life of a child — Insurance Law, section 55, construed.

The provision of the Insurance Law (Cons. Laws, ch. 28, § 55) fixing the amount of insurance which may be taken on the life of a child by a person liable for its support does not alone restrict the amount of insurance by a single policy, but limits the total amount of such insurance.

Flynn v. *Prudential Ins. Co.*, 145 App. Div. 704, reversed.

(Submitted January 15, 1913; decided February 4, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered July 31, 1911, in favor of plaintiff upon the submission of a controversy under section 1279 of the Code of Civil Procedure.

H. C. Mandeville for appellant.

Alexander C. Eustace for respondent.

WERNER, WILLARD BARTLETT, HISCOCK, COLLIN and HOGAN, JJ., concur with CULLEN, Ch. J., and CHASE, J., concurs in memorandum.

Judgment reversed, etc.

CLARA M. NELLIS, Respondent, *v.* THE WESTERN LIFE INDEMNITY COMPANY, Appellant.

Insurance (life) — fraud — rights of policyholder under policy which is deceptive and misleading in terms — when such a policy will be construed in favor of insured, and understanding of insured, at time policy was taken, be sustained — when action in equity not necessary.

1. Where it is necessary for a plaintiff before he can recover to establish fraud *aliunde* a contract, an action in equity to reform the contract is necessary; but when it appears upon the face of the contract that by artifice and deception a contracting party has been mislead, the courts can, if necessary, in an action at law on the contract, disregard the part constituting the deception and fraud and give effect to the remainder.
2. When a person accepts insurance upon terms so written in the policy by the insurer, either intentionally or otherwise, as to be calculated to deceive, and in such ambiguous language that it is possible to construe them in more than one way, a construction in favor of the understanding of the insured, which understanding is known to the insurer at the time the policy was taken, should be sustained.
3. Plaintiff's decedent took out the policy of insurance now in suit, the obligations of which were afterward assumed by defendant, which on its face states that the company by which it is issued "Does hereby promise to pay, *subject to the terms hereof,* * * * three thousand dollars to" the beneficiary named therein. On the third page of the policy there was a blank form of application for insurance and included in such application are certain warranties and also an agreement in eighteen subdivisions in continuous lines and in very fine print, the fifteenth of which subdivisions is as follows: "15. That in consideration of the terms and conditions upon which the policy hereby applied for is sold, I agree to pay an advance cash premium in amount and at times stated in the policy hereby applied for, and I further agree that the Society shall charge the said policy with the net single premium as determined by the Actuaries' or Combined Experience Table of Mortality, and interest at four per cent; such table for each dollar of insurance being endorsed hereon; said single premium to bear interest at the rate of four per centum per annum, and a lien is hereby created in favor of said Society, for the amount of said single premium and interest; said lien shall be accounted as due and owing the Society, and the Society shall collect the same by deducting it from the amount payable under said policy at its maturity, or at the maturity of any benefits provided therein." It is claimed by the defendant that by virtue and as the result of this clause the beneficiary is only entitled to recover the sum of $451.14 on the policy. One of the findings by the trial court is "That the said policy upon its face was designed to mislead the insured and to give him to understand that upon his death three thousand dollars at least would be paid to the beneficiary, and it had the effect designated, so that the insured did believe that the sum of at least three thousand dollars would be paid to the beneficiary upon his death." *Held,* that defendant is indebted to the plaintiff in the sum of

three thousand dollars and interest from the time when the same became due.

Nellis v. *Western Life Indemnity Co.*, 145 App. Div. 908, affirmed.

(Argued January 10, 1913; decided February 11, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered June 5, 1911, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury.

Charles D. Thomas for appellant.

Charles E. Snyder for respondent.

The judgment should be affirmed, with costs.

CULLEN, Ch. J., WERNER, WILLARD BARTLETT, HISCOCK, COLLIN and HOGAN, JJ., concur.

Judgment affirmed.

INTERNATIONAL FERRY COMPANY, Respondent, *v.* AMERICAN FIDELITY COMPANY, Appellant.

Insurance (marine liability) — trial — when question, whether there is any evidence to support a verdict directed by the court is a question of law reviewable by the Court of Appeals — parol agreement by an insurance company to effect a stipulated insurance, binding on company — when insured not bound by acceptance of policy which does not conform to oral agreement.

1. Where at the close of the evidence the parties concede that it presents no question of fact for the jury, the question whether there was any evidence to support a verdict in plaintiff's favor, directed by the trial court and unanimously affirmed by the Appellate Division, is a question of law reviewable in this court.
2. A parol agreement by an insurance company to effect a stipulated insurance by the issue of a valid policy is binding upon it. The acceptance of a policy, without negligence on the part of the insured, does not make it the true and conclusive evidence of the contract, and when, by inadvertence or mutual mistake, or the mistake of one party and fraud of the other it fails to conform to the actual agreement, a court will correct it.
3. Where an insurance company issued a policy which it represented conformed to a prior oral agreement to insure, but which failed to do so, the insured cannot recover the premium paid thereon since he has the right to enforce the terms of the original contract.

International Ferry Co. v. *American Fidelity Co.*, 145 App. Div. 906, reversed.

(Argued December 12, 1912; decided February 25, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered May

27, 1911, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court.

Charles Newton for appellant.

George P. Keating and *William J. Donovan* for respondent.

The judgment should be reversed and a new trial ordered, costs to abide the event.

CULLEN, Ch. J., GRAY, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ., concur.

Judgment reversed, etc.

JOHN MCDOWELL, Respondent, *v.* ST. PAUL FIRE AND MARINE INSURANCE COMPANY, Appellant, Impleaded with Another.

Insurance (fire) — mortgagee's right to recover on policy not affected by failure of owner to make proof of loss.

Where a mortgagee has an interest in a policy of fire insurance, with the consent of the company, irrespective of whether there is a full mortgagee clause attached to the policy or merely an indorsement on its face, his right to recover is not affected by the neglect or refusal of the owner to make proof of loss. (*Heilbrunn* v. *German Alliance Ins. Co.*, 140 App. Div. 557; 202 N. Y. 610, followed.)

McDowell v. *St. Paul F. & M. Ins. Co.*, 145 App. Div. 724, affirmed.

(Argued January 21, 1913; decided March 11, 1913.)

APPEAL from an order of the Appellate Division of the Supreme Court in the third judicial department, entered July 19, 1911, reversing a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term without a jury.

William D. Murray for appellant.

John R. De Vany for respondent.

The order should be affirmed, and judgment absolute ordered against the appellant on the stipulation, with costs in all courts.

CULLEN, Ch. J., GRAY, WERNER, HISCOCK and COLLIN, JJ., concur; CUDDEBACK, J., concurs in result.

Order affirmed, etc.

JAMES C. FARGO, *as President of the* AMERICAN EXPRESS COMPANY, Respondent, *v.* AMERICAN BONDING COMPANY OF BALTIMORE, Appellant.

Fargo v. *American Bonding Co. of Baltimore*, 145 App. Div. 917, affirmed.
(Argued December 12, 1912; decided December 31, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered June 17, 1911, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action to recover upon a surety bond.

Delavan A. Holmes and *Oliver C. Carpenter* for appellant.

Edmund L. Baylies, Joseph W. Welsh and *Edwin D. Bechtel* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., WERNER, WILLARD BARTLETT, HISCOCK, and COLLIN, JJ. Not sitting: GRAY and CHASE, JJ.

HENRY KOZANE, Respondent, *v.* SUN INSURANCE OFFICE, Appellant.

Kozane v. *Sun Insurance Office*, 142 App. Div. 926, affirmed.
(Submitted December 13, 1912; decided December 31, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered January 17, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action upon a policy of fire insurance.

George H. Bond for appellant.

Jerome L. Cheney and *Clinton S. Carr* for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, WILLARD BARTLETT, HISCOCK, CHASE and COLLIN, JJ.

ROBERT P. BUCHNER, Appellant, *v.* THE TITLE GUARANTY AND SURETY COMPANY, Respondent.

Buchner v. *Title Guaranty & Surety Co.*, 144 App. Div. 326, affirmed.
(Argued December 18, 1912; decided December 31, 1912.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered May 4,

1911, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term in an action to recover upon a surety bond.

Selden Bacon and *Saul S. Myers* for appellant.

Adrian T. Kiernan for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, WILLARD BARTLETT, HISCOCK, CHASE and COLLIN, JJ.

SIMON HEILBRUNN, Appellant, *v.* GERMAN ALLIANCE INSURANCE COMPANY OF NEW YORK, RESPONDENT.

(Submitted December 16, 1912; decided December 31, 1912.)

MOTION to vacate order of dismissal and for order placing cause on calendar. (See 206 N. Y. 683.)

Motion denied, without costs.

EDWARD HARRIS, Respondent, *v.* THE HOME INSURANCE COMPANY, Appellant.

Harris v. *Home Ins. Co.*, 142 App. Div. 920, affirmed.

(Submitted December 19, 1912; decided January 14, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered January 11, 1911, affirming a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term in an action to recover upon a policy of fire insurance.

C. I. Miller for appellant.

C. A. Hitchcock for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, HISCOCK, CHASE and COLLIN, JJ. Not sitting: WILLARD BARTLETT, J.

FRANCESCO RAMMAURO, Respondent, *v.* ILLINOIS SURETY COMPANY, Appellant.

GUIDO CONSENTINO, Respondent, *v.* ILLINOIS SURETY COMPANY, Appellant.

Reported below, 152 App. Div. 933, 934.

(Argued January 6, 1913; decided January 14, 1913.)

MOTIONS to dismiss the appeal in each of the above-entitled actions from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered October 4, 1912, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a surety bond.

The motions were made upon the ground that the cases were not appealable to the Court of Appeals.

Achille J. Oishei for motion.

Nelson L. Keach opposed.

Motions denied in each case, with ten dollars costs in one case. The provisions of section 191 of the Code of Civil Procedure apply only to bonds or undertakings on appeal.

MAX WIENER, Respondent, *v.* HOME TITLE INSURANCE COMPANY OF NEW YORK, Appellant.

Reported below, 153 App. Div. 895.

(Submitted January 6, 1913; decided January 14, 1913.)

MOTION to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 8, 1912, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover damages alleged to have been occasioned plaintiff's assignor by the fraud of the defendant.

The motion was made upon the ground that the affirmance by the Appellate Division was unanimous, that the exceptions were frivolous and the appeal taken for purposes of delay only.

John Bogart and *I. Weckstein* for motion.

Charles W. Atwater and *Henry J. Davenport* opposed.

Motion denied, with ten dollars costs.

Helen M. Pancoast, Respondent, *v.* The Travelers Insurance Company, Appellant.

Pancoast v. *Travelers Ins. Co.*, 146 App. Div. 885, affirmed.
(Argued January 14, 1913; decided January 28, 1913.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered August 7, 1911, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action to recover upon policies of accident insurance.

Clinton B. Gibbs for appellant.

George A. Larkin for respondent.

Judgment affirmed, with costs; no opinion.

Concur: Cullen, Ch. J., Werner, Willard Bartlett, Hiscock, Chase, Collin and Hogan, JJ.

Simon Heilbrunn, Appellant, *v.* German Alliance Insurance Company of New York, Respondent.

(Submitted January 20, 1913; decided January 28, 1913.)

Motion to amend remittitur denied, without costs. (See 206 N. Y. 683.)

S. Shopiro Company, Respondent, *v.* Maryland Casualty Company, Appellant.

S. Shopiro Company v. *Maryland Casualty Co.*, 145 App. Div. 905, affirmed.
(Argued January 15, 1913; decided February 4, 1913.)

Appeal from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered June 9, 1910, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a policy of insurance against loss or damage caused by leakage from an automatic sprinkler system.

Edward Schoeneck for appellant.

J. R. McGowan and *Benjamin Stolz* for respondent.

Judgment affirmed with costs; no opinion.

Concur: Cullen, Ch. J., Werner, Willard Bartlett, Chase, Collin, and Hogan, JJ. Not voting: Hiscock, J.

ABRAM FRIEDLAND, Respondent, *v.* COMMONWEALTH FIRE INSURANCE COMPANY OF OTTUMWA, IOWA, Appellant.

Friedland v. *Commonwealth Fire Ins. Co.*, 143 App. Div. 570, affirmed.

(Argued January 16, 1913; decided February 4, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered March 9, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover on a policy of fire insurance.

Edwin T. Taliaferro and *E. B. Wilson* for appellant.

J. Solon Einsohn for respondent.

Judgment affirmed, with costs, no opinion.

Concur: CULLEN, Ch. J., WERNER, WILLARD BARTLETT, HISCOCK, CHASE, COLLIN and HOGAN, JJ.

JOHN G. WENDEL, Appellant, *v.* ROYAL INSURANCE COMPANY et al., Respondents.

Wendel v. *Royal Insurance Co.*, 146 App. Div. 951, affirmed.

(Argued January 31, 1913; decided February 14, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 21, 1911, affirming a judgment in favor of defendants entered upon a verdict in an action to recover damages alleged to have been caused plaintiff's building through loss of lateral support resulting from excavations by defendants on adjoining lands.

Lewis L. Delafield, Edward S. Clinch; Burloch E. Rabell and *Alfred Gregory* for appellant.

Edwin D. Worcester for respondents.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, CHASE, COLLIN, CUDDEBACK and MILLER, JJ.

SECURITY LIFE INSURANCE COMPANY OF AMERICA, Appellant, *v.* SISTERS OF MERCY OF THE BUFFALO DIOCESE, Respondent.

Security Life Ins. Co. of America v. *Sisters of Mercy of the Buffalo Diocese*, 146 App. Div. 884, affirmed.

(Argued February 3, 1913; decided February 25, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered July 18, 1911, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term without a jury in an action to recover upon certain bills of exchange. Also appeal from an order of the said Appellate Division, entered July 14, 1911, which affirmed an order of Special Term correcting the action of the trial judge upon plaintiff's requests to find.

Frank C. Ferguson for appellant.

Thomas C. Burke for respondent.

Judgment affirmed, with costs; appeal from order dismissed, without costs; no opinion.

Concur: CULLEN, Ch. J., WILLARD BARTLETT, HISCOCK, CUDDEBACK, HOGAN and MILLER, JJ. Absent: GRAY, J.

LAKE VIEW BREWING COMPANY, Appellant, *v.* THE COMMERCE INSURANCE COMPANY OF ALBANY, Respondent.

Lake View Brewing Co. v. *Commerce Ins. Co.*, 143 App. Div. 665, affirmed.

(Argued February 13, 1913; decided March 4, 1913.)

APPEAL from an order of the Appellate Division of the Supreme Court in the fourth judicial department, entered March 8, 1911, reversing a judgment in favor of plaintiff entered upon a decision of the court on trial at an Equity Term in an action to reform a policy of fire insurance.

Francis E. Bagot for appellant.

Vernon Cole for respondent.

Order affirmed and judgment absolute ordered against appellant on the stipulation, with costs in all courts; no opinion.

Concur: CULLEN, Ch. J., GRAY, WILLARD BARTLETT, CHASE, CUDDEBACK and HOGAN, JJ. Not voting: MILLER, J.

ANTONETTE STEWART, Appellant, *v.* HOME LIFE INSURANCE COMPANY, Respondent.

Stewart v. *Home Life Ins. Co.*, 146 App. Div. 709, appeal dismissed.

(Argued March 10, 1913; decided March 25, 1913.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered November 3, 1911, reversing a judgment in favor of plaintiff entered upon a verdict and granting a new trial in an action to recover upon a policy of life insurance.

Frank E. Carstarphen and *Joseph A. Burdeau* for appellant.

Bernard Hershkopf and *Howard Van Sinderen* for respondent.

Appeal dismissed, with costs, on the ground that the order of the Appellate Division is silent as to the grounds of reversal; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, HISCOCK, COLLIN and CUDDEBACK, JJ. Not sitting: MILLER, J.

ANNA BROWN, Respondent, *v.* SUPREME TRIBE OF BEN HUR, Appellant.

Brown v. *Supreme Tribe of Ben Hur*, 147 App. Div. 918, affirmed.

(Argued March 11, 1913; decided March 25, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 24, 1911, affirming a judgment in favor of plaintiff entered upon a verdict in an action to recover upon a certificate of life insurance.

Layton H. Vogel and *Clinton B. Gibbs,* for appellant.

Andrew P. Ronan for respondent.

Judgment affirmed with costs, no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, COLLIN, CUDDEBACK and MILLER, JJ. Absent: HISCOCK, J.

SUBURBAN LAND IMPROVEMENT COMPANY, Respondent, *v.* THE BANKERS' SURETY COMPANY, Appellant, Impleaded with Others.

Suburban Land Imp. Co. v. *Bankers' Surety Co.*, 154 App. Div. 938, appeal dismissed.

(Submitted March 17, 1913; decided March 25, 1913.)

MOTION to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 31, 1913, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term, without a jury, in an action to recover on a surety bond.

The motion was made upon the grounds that the findings of fact had been unanimously affirmed by the Appellate Division, that no questions of law were involved, and that the appeal had been taken for purposes of delay only.

George S. Daniels for motion.

Edward J. Dowling opposed.

Motion granted and appeal dismissed, with costs and ten dollars costs of motion.

JAMES FOLEY, Respondent, *v.* NEW YORK MUTUAL BENEVOLENT SOCIETY, Appellant.

Foley v. *N. Y. Mutual Benevolent Society*, 141 App. Div. 180, affirmed.

(Argued March 13, 1913; decided April 1, 1913.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered December 7, 1910, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term, without a jury, in an action to recover an amount alleged to be due plaintiff as a benefit under the constitution and by-laws of defendant.

Florence J. Sullivan for appellant.

A. L. Pincoffs for respondent.

Judgment affirmed with costs, on opinion of CLARKE, J., below.

Concur: CULLEN, Ch. J., GRAY, WERNER, HISCOCK, COLLIN, CUDDEBACK and MILLER, JJ.

ANTONETTE STEWART, Appellant, *v.* HOME LIFE INSURANCE COMPANY, Respondent.

(Submitted April 14, 1913; decided April 22, 1913.)

Motion for re-argument denied, with ten dollars costs. (See 208 N. Y. —.)

THE PEOPLE OF THE STATE OF NEW YORK ex rel. EDWARD M. GRAVES, Appellant, *v.* WILLIAM SOHMER, as Comptroller of the State of New York, Respondent.

(Submitted April 14, 1913; decided April 22, 1913.)

Motion for re-argument denied, with ten dollars costs. (See 207 N. Y. 450.)

COLWELL LEAD COMPANY, Respondent, *v.* HOME TITLE INSURANCE COMPANY OF NEW YORK, Appellant.

Colwell Lead Co. v. *Home Title Ins. Co.*, 154 App. Div. 83, affirmed.

(Argued April 15, 1913; decided April 29, 1913.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered December 6, 1912, which affirmed an interlocutory judgment of Special Term sustaining a demurrer to the answer in an action for conversion.

The following question was certified: "Is the second separate defense in the defendant's amended answer, verified January 19, 1912, sufficient in law upon the face thereof?"

Harry Percy David for appellant.

Cuthbert W. Jewell and *R. B. Honeyman* for respondent.

Order affirmed with costs; and question certified answered in the negative; no opinion.

Concur: CULLEN, Ch. J., GRAY, WERNER, HISCOCK, COLLIN and CUDDEBACK, JJ. Not sitting: MILLER, J.

Rathbone, Sard and Company, Respondent, *v.* Pacific Coast Casualty Company, Appellant.

Rathbone, Sard & Co. v. *Pacific Coast Casualty Co.*, — App. Div. —, appeal dismissed.

(Submitted April 28, 1913; decided May 6, 1913.)

Motion to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered January 15, 1913, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action to recover upon a policy of casualty insurance.

The motion was made upon the grounds that the affirmance by the Appellate Division was unanimous and that the exceptions were frivolous.

Townsend K. Wellington for motion.

Joseph N. Tuttle and *Jeremiah J. Coughlan* opposed.

Motion granted and appeal dismissed, with costs, and ten dollars costs of motion.

ATTORNEY-GENERAL'S OPINIONS

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ATTORNEY-GENERAL'S OPINIONS

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE
ALBANY

INSURANCE LAW — SECTION 65 — REBATES AND DISCRIMINATIONS OVERRIDING COMMISSIONS — NEW YORK STATE BANKERS' ASSOCIATION.

Commissions paid by the Fidelity and Casualty Company of New York City to the New York State Bankers' Association on insurance placed by its members with the company amount to rebates and discriminations as defined in the Insurance law, although the funds paid over are used for association purposes.

Statement

The Fidelity and Casualty Company of New York City is paying commissions to the New York State Bankers' Association, an unincorporated association, upon bankers' burglary insurance and fidelity bonds written by that company for members of that association. It appears that the practice is for the secretary of the association, one William J. Henry, to notify the company of the fact when the insurance of any bank, a member of the association, in some other company is about to expire. Mr. Henry also takes up with the bank the question of placing the insurance so expiring with the Fidelity and Casualty Company, whose agent writes the insurance if it is ultimately placed with that company.

An overriding commission upon business so placed is paid to the Bankers' Association. Commissions so paid to the association form part of its "protective fund," which is used in the apprehension and prosecution of bank burglars, etc., and is, therefore, of at least indirect benefit to the members of the association.

Inquiry

The Superintendent of Insurance desires an opinion as to whether or not the payment of such commissions is in violation of law.

Opinion

There is one section of the Insurance Law which has application to the question submitted which it is necessary to construe in order to reach a proper solution of the inquiry. Section 65 of the Insurance Law, as amended in 1912, is entitled "Rebating and discriminations prohibited." This much thereof may to good purpose be quoted here:

> "No insurance corporation * * * shall make any contract * * * against liability, casualty, accident or hazard other than as plainly expressed in the policy issued or to be issued thereon; nor shall any such corporation * * * directly or indirectly in any manner whatsoever pay or allow or offer to pay or allow as inducement of such insurance or after the insurance shall have been affected any rebate from the premium which is specified in the policy, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever not specified in the policy or contract of insurance * * *."

I think that the acts outlined in the inquiry are clearly a violation of this section. It prohibits any rebate or any special favor or advantage in the dividends, or any valuable consideration or inducement not specified in the policy. I assume that the overriding commission given to the Bankers' Association is not mentioned in the policy and it is clear to me that this commission paid to the association is clearly a valuable "consideration or inducement" for the placing of the insurance with the Fidelity and Casualty Company. It is true that the members of this unincorporated association will benefit from the funds paid over to its treasury somewhat indirectly, but certainly there can be no question but that protection from burglary is a valuable consideration. On the question of rebates and commission, there seems to be very little judicial interpretation in New York, but there are two Michigan cases which are illustrative. One is the Citizens Life Insurance Company *v.* The Commissioner of Insurance, 128 Mich. 85, 87 N. W. 126, and State Life Insurance Company v. Strong, 127 Mich. 346 and 86 N. W. 825. In the first case the insurance company appointed a board of reference consisting of an indefinite number of persons who, in consideration of appointment upon the board became members and policyholders with the alleged duty to give such information as they

might possess, the plans, methods and management of the company, in return for which they were entitled to receive percentage of a fund set apart from the premiums for that purpose. The court condemned the scheme.

In the case presented here, I think there is an even bolder violation of a statute in general respects similar to the one construed by the Michigan court. Here there is no pretence that the association serves the company other than by giving business to them, while in the Michigan case there was some concealment to the ultimate purpose in pretended duties as *quasi* officers of the insurance corporation. In the earlier Michigan case, the same judge writing the opinion, a contract was held illegal which provided that the insured was to be a member of an advisory board and to receive advantages over other persons not belonging to such board.

I am therefore of the opinion that the contract described in the statement is a violation of section 65 of the Insurance Law.

Dated December 12, 1912.

Thomas Carmody,
Attorney-General.

To Hon. William T. Emmet,
State Superintendent of Insurance,
Albany, N. Y.

STATE OF NEW YORK

Attorney-General's Office

Albany

Insurance Law — Investments by Insurance Companies — Canadian Southern Railway Bonds Guaranteed by the Michigan Central Railroad Company.

Insurance companies may invest their assets other than their capital to the extent of the minimum required by law and the deposits they are required to make with the Superintendent of Insurance, in bonds of the Canadian Southern Railway Company, guaranteed by the Michigan Central Railroad Company.

Inquiry

Are the consolidated guaranteed fifty-year, five per cent gold bonds of the Canada Southern Railway Company, secured by a first and refunding mortgage on its railway, and guaranteed un-

conditionally principal and interest by the Michigan Central Railroad Company, proper securities for the investment of the funds of insurance companies?

Opinion

Section 13 of the Insurance Law as at present in force, provides for deposits to be made with the Superintendent of Insurance, which deposits must be in the stock or bonds of the United States or of this tate, or in the bonds of a county or incorporated city of this State, or in bonds and mortgages on improved unencumbered real property in this State. These are the only classes of securities in which investment is permitted to be made of the funds of insurance companies for the purpose of deposit with the Superintendent of Insurance and these various classes of securities are further limited by additional provisions of the section referred to.

Section 16 of the Insurance Law in its present form provides that the cash capital of every domestic insurance corporation required to have a capital to the extent of the minimum capital required by law shall be invested in securities of a similar nature. It is quite apparent therefore, that inasmuch as the securities under consideration do not come within either of the classifications specified, they are not proper investments either to deposit with the Superintendent of Insurance or to constitute the capital stock of an insurance company to the minimum amount required by law.

This section further provides:

> "The residue of the capital and the surplus money and funds of every domestic insurance corporation over and above its capital and the deposit that it may be required to make with the Superintendent, may be invested, among other things, except as otherwise prohibited in the Insurance Law, in the stock, bonds or other evidence of indebtedness of any soluble institution, incorporated under the laws of the United States or of any State thereof."

The securities in question are guaranteed by the Michigan Central Railroad Company, incorporated under the laws of the State of Michigan, which company therefore, comes within the provisions of the section. I believe moreover, that the guarantee

makes the bonds in question "evidence of indebtedness" of that company, and that therefore they are within the provisions of the section and are proper subjects for investment of the funds of domestic insurance companies outside the funds of said companies, required for their capital stock to the minimum amount required by law and securities required for deposit with the Superintendent of Insurance.

I have come to this conclusion, not without consideration of the letter written to Hon. Henry D. Appleton, Acting Superintendent of Insurance, by former Attorney-General O'Malley, bearing date January 14, 1909, in which he stated that certain bonds of the Canada Southern Railway Company were not a proper investment for insurance companies.

It will be noted that the subject primarily under consideration in that letter was the applicability of section 27 which refers to the investment of foreign insurance companies doing business in this country, and this section expressly limited such investment, as stated in the letter, to "money loaned on real estate in this State or in any State of the United States." This limitation is not contained in the sections here under consideration and although the Attorney-General further stated that he considered such investments not proper for domestic insurance companies, it appears that the writer of the communication had under consideration merely bonds of the Canadian Southern Railway Company as such, and that the securities then considered, either were not guaranteed by a domestic corporation or the fact of such guarantee was not called to the attention of the Attorney-General.

The propriety of the investment which is upheld in this opinion is based in no degree upon the fact that they are bonds secured upon the real estate of a foreign railroad corporation, but rests solely upon the contention that such bonds constitute a portion of the indebtedness of a domestic corporation.

This opinion is of course, based upon the assumption that the property mortgaged as collateral security to said bonds is adequate in value of their protection, otherwise any investment therein by a life insurance corporation would be in contravention of section 100 of the Insurance Law.

The adequacy of such security is a question of valuation for the Superintendent of Insurance and not a question of law for the Attorney-General.

(Signed) THOMAS CARMODY,
Attorney-General.

Dated December 26, 1912.

To Hon. WILLIAM T. EMMET,
State Superintendent of Insurance,
Capitol, Albany, N. Y.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE

ALBANY

March 26, 1913.

Hon. WILLIAM TEMPLE EMMET, *Superintendent of Insurance, Albany:*

DEAR SIR.— I have received your letter inquiring with regard to the fees to be required of partnership and corporation applicants for brokers' certificates of authority under section 143 of the Insurance Law.

It is apparently the purpose of the statute to authorize only such individuals to act as brokers as shall have obtained permission by being named in a certificate. No action by partnerships or corporations is to be permitted except through individuals so authorized, and there is no specified requirement that the fee shall be paid by a partnership or corporation as such in addition to the payment for the individuals specified in the certificate. In general the aim of the statute is to deal with the individuals acting as brokers and to require the fees of them, and in the absence of a specified requirement that fees shall be paid on behalf of the partnership or corporation, I see no occasion for requiring any other fee than that for each person specified in the certificate. I have not overlooked the requirement that the application must be signed by the applicant and also by each member or officer of a partnership or corporation applicant who is to be authorized to act.

This does not seem to require the exaction of the additional fee, and the whole subject seems to be sufficiently covered by the sentence in the act which reads: "If the applicant be a corporation, partnership or association, such fee shall be paid for each person specified in the certificate."

Very truly yours,

Thomas Carmody,
Attorney-General.
By Henry Seldon Bacon,
Second Deputy.

STATE OF NEW YORK

Attorney-General's Office

Albany

Insurance Law — Sections 16 and 100 — Railway Equipment Notes — Investment of Surplus Funds.

Railway equipment notes issued under conditional sale agreements for the payment of which a solvent corporation of the United States, or a State thereof, is liable when properly issued and sufficiently secured, are legal investments under sections 16 and 100 of the Insurance Law, for the surplus funds of life insurance companies.

Inquiry

Are railway equipment notes issued under conditional sale agreements proper investments under the Insurance Law, for life insurance companies?

Opinion

The question presented as to whether railway equipment notes secured by collateral sale agreements for the repayment of which the credit of a solvent railway corporation is pledged has its answer, in my opinion, in the direct provisions of the statute itself.

Sections 16 and 100 of the Insurance Law are applicable. The former provides that the residue of the capital of an insurance company, beyond the minimum capital required by law, and the surplus money and funds of every domestic insurance corporation over and above its capital and the deposit which it is required to

make with the Superintendent of Insurance, may be invested in various securities, including "evidences of indebtedness of any solvent institution incorporated under the laws of the United States or any State thereof." Section 100 makes certain limitations as to life insurance corporations as to collateral security required and as to methods to be pursued in order to obtain proper authorization for the loan.

My opinion is not sought as to the question of adequate collateral security or as to whether all the details as to authorization and formality of issue in any particular case have been complied with. The broad question is presented as to whether such notes when properly issued and sufficiently secured are lawful investments for the surplus funds of life insurance companies. This question, I believe, is readily answered in the affirmative. They are unquestionably evidences of indebtedness of solvent corporations of the United States or of a State thereof.

December 28, 1906, Attorney-General Mayer advised the Superintendent of Insurance to the effect that car trust certificates of the Pennsylvania Steel Frame Car Trust were legal investments for the insurance companies under the provisions of law then in force, which have not been materially altered so as to effect the question here involved (Report of Attorney-General 1906, page 577). This conclusion was to the effect that such certificates were proper investments. In that case the equipment was leased rather than conditionally sold. This variation in the facts, however, does not alter the principle of law involved and in arriving at the conclusion herein set forth I concur in the opinion of Attorney-General Mayer.

(Signed) THOMAS CARMODY,
Attorney-General.

Dated, June 16, 1913.

To Hon. WILLIAM T. EMMET,
Superintendent of Insurance,
Albany, N. Y.

Rulings of the Superintendent of Insurance

AND

Extracts from Opinions of Attorney-General

RELATING TO

Life Insurance Laws (1906) As Amended

INSURANCE MEASURES OF THE SESSION OF 1913 APPROVED BY THE GOVERNOR

An act to amend the Insurance Law, in relation to agents, signed February 10, 1913; in effect March 2, 1913.

An act to amend the Insurance Law, in relation to the revocation of the certificate of authority of a foreign insurance corporation, signed February 12, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to brokers, signed February 13, 1913; in effect March 5, 1913.

An act to amend the Insurance Law, in relation to organizations assisting in establishing insurance rates, signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of authority from the Superintendent of Insurance, signed February 19, 1913; in effect March 11, 1913.

An act to amend the Insurance Law, in relation to organizations for assisting underwriters in insurance business generally, signed February 19, 1913; in effect immediately.

An act to amend the General Corporation Law, in relation to corporate names, signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to life or casualty insurance corporations upon the co-operative or assessment plan. Signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to rate-making associations, signed February 19, 1913; in effect immediately.

An act to repeal chapter 85 of the Laws of eighteen hundred and ninety-nine, entitled "An act to provide the minimum capital stock required for the organization of fire or marine insurance corporations," signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to the policy or certificate of a life or casualty insurance corporation upon the co-operative or assessment plan, signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to proceedings against and the liquidation of delinquent insurance corporations, signed February 19, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to misrepresentations by certain insurance corporations, signed March 6, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to reorganization of existing corporations and amendment of certificates, signed March 6, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to the by-laws of title, credit guaranty and securities guaranty corporations, signed March 6, 1913; in effect immediately.

An act to amend the Penal Law, in relation to acting for foreign insurance corporation which has not designated Superintendent of Insurance as attorney, signed March 6, 1913; in effect September 1, 1913.

An act to amend the Insurance Law, in relation to forms of policies or certificates of casualty insurance corporations upon the co-operative or assessment plan, signed March 6, 1913; in effect October 1, 1913.

An act to amend the Insurance Law, in relation to the sale of the securities of insurance corporations and of corporations organized to promote or hold the capital stock of insurance corporations, signed March 6, 1913; in effect immediately.

An act to amend the Code of Civil Procedure, relating to when a foreign corporation may be sued, signed March 6, 1913; in effect September 1, 1913.

An act to amend the Insurance Law, in relation to the capital of title, credit guaranty and securities guaranty corporations, signed March 15, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to capital requirements, signed March 21, 1913; in effect immediately.

An act to amend the Penal Law, in relation to arson, signed April 2, 1913; in effect September 1, 1913.

An act to amend the Insurance Law, in relation to standard provisions for accident and health policies and discriminations, signed April 2, 1913; in effect October 1, 1913.

An act to amend chapter one hundred and thirty-four of the Laws of eighteen hundred and ninety-one, entitled "An act to incorporate the Church Insurance Association," generally, signed April 2, 1913; in effect immediately.

An act to amend the Penal Law, in relation to discriminations and rebates by corporations transacting the business of life insurance on the co-operative or assessment plan, signed April 3, 1913; in effect September 1, 1913.

An act to amend the Insurance Law, in relation to standard fire insurance policy of the State of New York and the adjustment of losses thereunder, signed April 3, 1913; in effect June 30, 1913.

An act to amend the Insurance Law in relation to surety companies, signed April 3, 1913; in effect July 1, 1913.

An act to amend the Insurance Law, in relation to the contents of advertisements, signed April 4, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to the capital of title, credit guaranty and securities guaranty corporations, signed April 4, 1913; in effect immediately.

An act to amend the Insurance Law in relation to the incorporation of fire insurance corporations, signed April 16, 1913; in effect immediately.

An act to amend the Insurance Law generally, signed April 17, 1913; in effect immediately.

An act to amend the Stock Corporation Law, in relation to the certificate of increase or reduction of capital stock of a banking or insurance corporation, signed April 17, 1913; in effect immediately.

An act to amend the General Corporation Law, in relation to the extension of corporate existence of insurance and banking corporations, signed April 17, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to fraternal beneficiary societies, orders and associations, signed April 29, 1913; in effect immediately.

An act to amend the Penal Law, in relation to the issuance or circulation of false literature by insurance corporations, signed May 8, 1913; in effect September 1, 1913.

An act to amend the Insurance Law, in relation to applications for policies of insurance, signed May 15, 1913; in effect immediately.

An act to amend the Insurance Law, in relation to requiring adjusters of loss or damage by fire to procure a certificate of

authority from the Superintendent of Insurance, signed May 15, 1913; in effect immediately.

An act to amend the Code of Civil Procedure, in relation to an action for divorce, signed May 15, 1913; in effect September 1, 1913.

An act to amend the Insurance Law. in relation to investments of domestic life insurance corporations. signed May 17, 1913; in effect immediately.

An act to amend the General Corporation Law, in regard to receiver's title to property and general powers of receivers, signed May 27, 1913; in effect immediately.

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FOREWORD

Chapter 326 of the Laws of 1906, entitled "An act to amend the Insurance Law generally," which became a law April 27, 1906, made important amendments to §§ 2, 7, 11, 15, 16, 20, 24, 33, 36, 39, 40, 45, 52, 53, 58, 59, 70, 71, 73, 82, 83, 84, 88, 89, 92, 200, 204, 205, 208, 210 and 214; repealed §§ 56 and 87 and the whole of Article X (§§ 300 to 320, inclusive) and added as wholly new matter §§ 58, 60, 87, 94, 95, 96, 97, 98, 99, 100, 101, 102 and 103. Changes, affecting nearly all of the ten articles of the Insurance Law, were made by the session laws of 1907–1913, inclusive. The amendments and additions made by the Legislature of 1913 appear in the first section of this volume.

The insurance legislation of 1906, affecting as it did the conduct of affairs of life insurance corporations in so many particulars, gave rise to much correspondence relating to the interpretation, application and effect of the various amendments. Some of the more important points presented in this correspondence were submitted to the Attorney-General for his opinions thereon. The Actuarial Society of America selected from these opinions of the Attorney-General, and from the rulings of the Superintendent, such matters as seemed to be of general interest to the life insurance companies doing business in this State, and published them in three pamphlets, dated respectively November 7, 1906, December 14, 1906, and March 1, 1907. The opinions and rulings contained in the three pamphlets mentioned were collected and rearranged, with others of later date, down to and including the 22d day of August, 1907, and published in Part V of the Annual Report of the Superintendent for 1907. They were again published in Part V of the Annual Reports for 1908, 1909, 1910, 1911 and 1912, with such additions and modifications as had occurred during each year. *The compilation this year contains opinions given prior to the passage of the law first above referred to, and has been brought down to July* 1, 1913. *In addition, a complete alphabetical index will be found at the end of the digest.*

Ruling of the Superintendent of Insurance of the State of New York and Extracts from Opinions of Attorney-General

Section 2 — The Superintendent of Insurance

Correspondence of the Superintendent is not a public document, of which certified copies may be demanded but access thereto is discretionary with the Superintendent.

(See Op. A. G. March 1, 1897.)

Section 9 — Certificate of Authorization of Superintendent

Insurance Contract Defined

For definition of what constitutes an insurance contract.

(See Op. A. G. Feb. 13, 1903.)

When Burial and Undertaking Contract Constitutes Insurance

Extract from letter dated August 4, 1911, from the Superintendent to J. Arthur Pelletier.

"* * * You state:

'We have incorporated a company under the laws of the State of New York to carry on a burial and general undertaking business. Is there any law to prevent us from contracting with individuals or families whereby, upon an annual payment to us of a nominal sum, say $2 or less, we would agree to bury any or all parties to such contract, or supply a coffin, embalm the dead, decorate the mortuary room, furnish a hearse, etc.'

I am of the opinion that the issuing of the proposed contracts would be transacting the business of insurance. * * * "

(See also Op. A. G. Feb. 13, 1903; Oct. 17, 1903; March 5, 1908.)

Section 10 — Certificate of Attorney-General; Corporate Names; Number of Directors

Adoption of Similar Name

Stock company may incorporate with same name as mutual life insurance association on surrender of certificate of mutual association.

(See Op. A. G. March 27, 1901.)

Idem

Evidence of dissolution must be established by affidavit before a corporation can adopt a similar name.

(See Op. A. G. Jan. 9, 1906.)

Certificate of Incorporation Must Contain Definite Number of Directors

Certificate of incorporation must contain definite number of directors; consent of Superintendent to increase or reduction in, required.

(See Op. A. G. June 21, 1904.)

Section 13 — Deposit of Securities

Term "Improved Real Property" Defined

Term "Improved real property" within the meaning of section 13, defined.

(See Op. A. G. Oct. 17, 1892; Dec. 9, 1904.)

Disposition of Deposits on Dissolution

Superintendent should collect interest on mortgages deposited by life insurance company although a receiver has been appointed.

(See Op. A. G. Nov. 16, 1894.)

Idem

Upon dissolution, Superintendent must retain deposits until court decides dispute.

(See Op. A. G. Sept. 5, 1902.)

Idem

A life insurance corporation may only be dissolved and deposits sequestered in a suit brought by the Attorney-General on recommendation of the Superintendent.

(See Op. A. G. Feb. 6, 1903.)

Impairment in Deposits

Company assuming liabilities of another company may not make good an impairment in deposits in cash; and the Superintendent may not retain accrued interest on such deposits in order to make good such impairment.

(See Op. A. G. June 12, 1906.)

Section 14 — Exchange of Securities; Interest

Ruling on withdrawal and exchange of securities; term "competent proof" interpreted.

(See Op. A. G. March 26, 1896; July 22, 1907.)

Section 16 — Investment of Capital and Surplus

SUB. 3. CORPORATE BONDS

Surplus May be Invested in Bonds of Any Private Corporation

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Your understanding that sections 16 and 100, taken together, still permit a corporation to invest its surplus funds in, or accept as collateral security, the bonds of any private corporation, if, in the judgment of the board of directors or finance committee such bonds are a safe investment, is, I believe, correct."

SUB. 4. REAL PROPERTY

Property Charged with Ground Rent not an Authorized Investment

Life insurance company cannot loan on bond and mortgage on real property charged with a ground rent.

(See Op. A. G. Jan. 24, 1906.)

Limitations as to Loans Applicable to Purchase Money Mortgage

A mortgage taken for an amount exceeding the express limitations prescribed in section 16, whether the same be a purchase-money mortgage or otherwise, cannot be accepted by the Superintendent of Insurance as a deposit or a proper investment under sections 16 or 100.

(See Op. A. G. June 12, 1907.)

Limitations as to Loans, etc., not Applicable to Sales

An insurance company is not prohibited by section 16 from selling real property and taking back a purchase-money mortgage for more than 50 per cent. of the value of said property.

(See Op. A. G. April 10, 1909, reversing Op. June 12, 1907.)

SUB. 6. INVESTMENT IN STOCKS AND BONDS

Investments may be made in stock of solvent trust company.

(See Op. A. G. Dec. 11, 1896.)

Idem

Domestic life insurance company may invest surplus funds over capital in certificates of Penn. Steel Freight Car Trust, as being evidence of indebtedness or obligation of the Penn. R. R. Co. to pay par and interest of such certificate issued for rolling stock.

(See Op. A. G. Dec. 28, 1906.)

Investment in Bonds of Southern Canadian Railway

Insurance companies may invest their assets other than their capital to the extent of the minimum required by law and the deposits they are required to make with the Superintendent of Insurance, in bonds of the Canadian Southern Railway Company, guaranteed by the Michigan Central Railroad Company.

(See Op. A. G. Dec. 26, 1912.)

Investment in Railway Equipment Notes

Railway equipment notes issued under conditional sale agreements for the payment of which a solvent corporation of the

United States, or a state thereof, is liable when properly issued and sufficiently secured, are legal investments under sections 16 and 100 of the Insurance Law, for the surplus funds of life insurance companies.

(See Op. A. G. June 16, 1913.)

Exchange of Bonds

Company may not subscribe for new bonds, investment in which is prohibited, under rights as holder of old bonds — Right to exchange bonds discussed.

(See Op. A. G. July 22, 1907.)

SUB. 9. FOREIGN SECURITIES

Life Insurance Companies May Invest in or Loan upon Government Bonds of Foreign Countries Only in Which They Transact Business

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Replying to your first question, I would state that the word 'government,' as used in section 100 of the Insurance Law, is not necessarily limited to the United States. Section 16 of the law authorizes companies doing business in foreign countries to invest certain of their funds in the same kind of securities in such foreign countries as they are allowed to invest in, in this State. What a company may invest in it may loan upon. Owing to the facts that the authorization referred to is limited to those companies doing business in foreign countries and that the amounts that may be so invested are limited by the obligations of the companies incurred in such countries, I am of the opinion that life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business."

Reasonable Discretion Given Board of Directors in Regard to Purchase of Securities to Meet Company's Obligations in Foreign Countries

Extract from letter dated October 15, 1908, from the Superintendent of Insurance to the New York Life Insurance Company.

"Your letter of October 13, 1908, is received, requesting a ruling from the Department in construction of the following pro-

visions of section sixteen of the Insurance Law, as to whether a domestic life insurance company doing business in foreign countries is thereby limited to investments never exceeding the depository requirements of a foreign country, or whether the board of directors has reasonable discretion in regard to when and how much of securities it may buy to meet its obligations in a foreign country:

'Every such domestic corporation doing business in other states of the United States, or in foreign countries, may invest the funds required to meet its obligations incurred in such other states or foreign countries, and in conformity to the laws thereof, in the same kind of securities in such other states or foreign countries that such corporation is by law allowed to invest in, in this State.'

The Department will hold that a reasonable discretion is given by the statute to a board of directors of a domestic life insurance company, doing business in a foreign country, to invest such part of its funds as may be required to meet its obligations under the laws of such foreign country, in lawfully prescribed securities, at such times and in such amounts as will best subserve and protect the business interests of the company from year to year. A board of directors in authorizing transactions under this provision of the insurance law will be held to a strict account for any abuse of its discretionary powers."

(See also rulings cited under § 100, Investments.)

Section 18 — Stocks, Bonds and Other Evidences of Debt

All Life Insurance Companies Doing Business in this State Must Amortize Bonds

Extract from a letter dated August 9, 1909, sent to the president of each foreign life company.

"It is ruled that all life insurance companies, whether organized under the laws of this State, or, if not so organized, authorized to do business in this State, shall amortize their bonds returned in the annual statements showing their condition as of December 31, 1909, in accordance with the provisions of section 18 of the Insurance Law, as amended in 1909."

Section 20 — Restrictions as to Real Property

Life Insurance Company May Give an Option for the Purchase of Real Estate Owned by it

Extract from letter dated April 16, 1912, from the Superintendent to the Mutual Life Insurance Company.

"I am in receipt of your letter of the 13th inst. in relation to the right of a life insurance company to give an option for the purchase of real estate owned by it.

In my opinion, there is nothing in the Insurance Law which forbids the giving of an option under the circumstances recited in your letter."

Section 22 — Reinsurance

Company May Not Issue Reinsurance for Purposes for Which Original Insurance Could Not be Issued

Extract from letter dated February 23, 1909, from the Attorney-General to Superintendent of Insurance.

"By section 70 it is specifically provided that the subdivisions containing the purpose or purposes for which a company is incorporated must be specified in its certificate of incorporation.

By specifically including insurance against accident in a separate subdivision, the Legislature had clearly indicated its intention to regard such insurance as distinct from that specified in other subdivisions, and therefore as distinct from insurance upon health. Therefore, by specifying only subdivision 1, the certificate of this company necessarily excludes insurance against accident and limits its powers to those contained in such subdivision.

It is further my opinion, that the right conferred upon insurance corporations doing business in this State, to reinsure the whole or any part of any policy obligation in any other insurance corporation, which right is granted by section 22 of the Insurance Law, does not confer upon such other insurance corporations the power to issue any reinsurance policies for purposes for which they could not issue original policies.

Finally, the issuance of any policy not in standard form prescribed by section 101, and not approved by the Superintendent

of Insurance, is also in contravention to the provisions of the Insurance Law."

(See Op. A. G. Feb. 23, 1909.)

Reinsurance Contract Legal if Original Policy is Legal

Extract from letter dated December 27, 1910, from the Superintendent to the Connecticut General Life Insurance Company.

"* * * You state:

'We have recently received an application from The Metropolitan Life Insurance Company for reinsurance of one of their risks on their endowment at age 85 plan, this company simply guaranteeing to The Metropolitan the terms of their policy.

I presume this would hardly be considered as issuing an unauthorized policy in New York State * * *.'

There can be no objection to the reinsurance by your company of a form of policy approved for and issued by The Metropolitan."

Select and Ultimate Method Not to be Applied to Reinsurance Contracts

(See Op. A. G. July 22, 1909; Sept. 13, 1909.)

Section 25 — Jurisdiction of Superintendent over Foreign Corporations.

Foreign life insurance company must comply with requirements of foreign statute prior to admission.

(See Op. A. G. March 23, 1903.)

Section 26 — Deposits by Insurance Corporations of Other States

Amount and Kind of Deposits Required

Where laws of a foreign government are silent as to deposits by our companies and United States government bonds are accepted, the Superintendent may accept securities of such government.

(See Op. A. G. June 7, 1893.)

Idem

Deposits of foreign corporations doing business under Art. II must be of same class or kind required of domestic companies.

(See Op. A. G. June 20, 1894.)

Idem

Foreign company desiring to do a life and accident business must deposit maximum amount.

(See Op. A. G. Jan. 25, 1905.)

Section 27 — Funds and Capital of Insurance Corporations Incorporated Outside of the United States

Amount of capital paid in by foreign life company at home state is immaterial, so long as requisite amount is deposited in this State.

(See Op. A. G. May 10, 1900.)

Section 28 — Special Deposit Required in Certain Cases

Protection afforded by a deposit made by a foreign insurance company with the Superintendent of Insurance for the benefit and security of its policyholders in the United States includes policyholders in Porto Rico.

(See Op. A. G. March 27, 1912.)

Section 29 — Copy of Charter and Verified Statement to be Filed

Foreign insurance company seeking to do business in the State must file copy of charter certified to by official having custody of the original charter.

(See Op. A. G. July 15, 1910.)

Section 30 — Appointment of Attorney; Removal of Cause to Federal Courts

Unauthorized Foreign Company May Not Appoint Attorney

Superintendent should not file designation by foreign company not authorized to transact business in this State.

(See Op. A. G. Jan. 9, 1909.)

Section 31 — Certified Copy of Superintendent's Certificate to be Filed in the Clerk's Office

Superintendent of Insurance may dispense with the publication of a certificate of authority to do business required by section 31

of the Insurance Law, to an insurance corporation incorporated under the laws of the state of Iowa and authorized since Feb. 24, 1885, to transact business in this State as an assessment life company under Article VI, upon reincorporation under Article II as a mutual life company and admission to do business in this State.

(See Op. A. G. Nov. 9, 1911.)

Section 34 — Taxation of Foreign Corporations

Taxation of Benefit Funds

Accumulations for the insured held by life insurance corporations (foreign and domestic), except funds invested in stocks or real estate, are exempt from taxation.

(See Op. A. G. June 28, 1897.)

Total Premiums Less Amount Taxable in Other States are Subject to Taxation in This State

Life insurance companies should report the total amount of premiums received by its agents in this State and such premiums, less such part thereof as may have paid a tax to any other state, are subject to taxation under section 34 of the Insurance Law.

(See Op. A. G. Feb. 17, 1911.)

Section 36 — Officers and Directors not to be Pecuniarily Interested in Transactions

SUB. 2. PECUNIARY INTEREST

Officer of Corporation Selling Securities Not to Act on Finance Committee of Corporation Making Purchase

Extract from letter dated April 17, 1907, from the Superintendent to the Home Life Insurance Company.

"There is no prohibition in section 36 of the Insurance Law against an officer of one corporation being a stockholder or officer of another, or of corporations under such circumstances doing business with each other, but in the investment of assets and the employment of financial agencies for the purpose, I think it questionable if the law permits active participants in negotiations for the purchase and sale of securities, or who advise as experts in

relation thereto, to be one and the same person. The spirit of the law seems opposed to such a contention whether a technical provision is found against it or not."

Loans and Investments May be Made in Another Corporation Whose Officers Are Directors of the Insurance Company Provided They Have No Personal Interest

Extract from letter dated December 5, 1907, from the Attorney-General to the Superintendent of Insurance.

"* * * I am of the opinion that the questions asked should be answered as follows:

'First. Can a life insurance corporation, through its directors or officers, make a loan to any corporation in which its (the life insurance corporation) directors or officers are stockholders?'

Yes, provided that their only interest in the loan is as stockholders of the borrower.

'Second. Where a director or officer of a life insurance corporation is also actively connected with the management of another corporation, does the statute prohibit the life insurance corporation from loaning money to or purchasing securities from such corporation?

'Third. If a life insurance corporation, under section 36 of the Insurance Law, is not permitted to loan to or buy securities from a corporation in which its officers are stockholders or actively participating in its management, can such life insurance corporation make loans to such other corporation or buy its securities through the agency of brokers? * * *'

The transactions mentioned in the questions are not prohibited by the statute, provided the 'director or officer' of the insurance corporation has no personal interest therein and that the transaction was fair and no advantage was taken of his position to secure his own advantage or that of the other corporation.

'Fourth. Where a life insurance corporation, through its finance committee, purchased bonds of a railroad corporation, not from the railroad corporation itself but from a third person, and two members of such finance committee were respectively president and secretary of such railroad corporation, is this transaction prohibited by this section?'

No, provided the two persons named had no interest in the specific securities purchased.

'Fifth. Can a brokerage firm, of which a director of an insurance corporation is a member, act as broker for the insurance corporation in the purchase or sale of securities and receive commissions therefor?'

No."

* * * * * * * * * *

Employment of Director as Architect to Construct Home Office Building Violates Spirit of the Law

Extract from letter dated October 8, 1910, from the Superintendent to the Chief Examiner of Life Companies.

"* * * You state that:

'The examination of the ———— Company developed the fact that a director of the company is the architect employed to draw plans and to supervise the construction of their new office building. The question arises, therefore, whether this can possibly be a violation of section 36, which prohibits an officer or director from being pecuniarily interested in any purchase. In other words, is the construction of the home office building a purchase of property under section 36? The director is to receive a commission of 5 per cent. for his services in this matter.'

I am of the opinion that the transaction in question is a violation of the spirit though not of the letter of the law; the intent of the latter is clearly shown by its caption 'Officers and directors not to be pecuniarily interested in transactions of their corporations.'"

Section 39 — Examiners and Examinations

Examination by Foreign Officials

Foreign officials have no legal right to examine domestic life insurance corporations.

(See Op. A. G. June 19, 1894.)

Examiners May Administer Oaths

Examiners have power to administer oaths to officers and agents of corporations examined by them.

(See Op. A. G. Oct. 16, 1900.)

Report on Examination Should Show Existing Facts as Found by the Department

In an examination to determine the financial status of a company the Department should treat their action in declaring and paying dividends as proper, irrespective of the fact that dividends were possibly improperly declared.

(See Op. A. G. June 20, 1906.)

Superintendent May Examine After Report is Filed

Superintendent may examine company after report is filed; company not required to segregate business between assessment and legal reserve business.

(See Op. A. G. Oct. 17, 1907.)

Witness Testifying Before Examiners Not Immune from Criminal Prosecution

Persons testifying upon investigations made by examiners of the Department of Insurance, under section 39 of the Insurance Law, are not thereby rendered immune from criminal prosecution under the provisions of chapter 239, Laws of 1906.

(See Op. A. G. February 18, 1908.)

Instructions to Department Counsel in re Examinations

Extract from "Instructions to Department Counsel and to companies, associations, etc., under the supervision of the Department, concerning the examinations of title to real estate," dated March 19, 1912.

"On and after this date examinations of the evidences of title to real property owned by or mortgaged to corporations, societies, orders or associations supervised by this Department will be made in accordance with the following rules:

A. In cases where title to such property is insured by a title guaranty company:

(1) The Department will accept as good evidence of title according to their import, the title insurance policies issued by any company authorized to transact the business of title insurance in the State of New York. The Department will also accept the similar policies of companies not authorized in this State, provided there is attached to each such policy, or filed therewith, a certificate from the supervising official or department of the State in which the real estate is located, that such company is duly incorporated and authorized to transact the business of title insurance in that State and is under the supervision of such official or department, and setting forth its capital and surplus as of the date of its last report * * *."

Title Policies Approved Under Rule A

Extract from Opinion of Department Counsel dated November 15, 1912.

"The certificate of indefeasible title by the District Register under the Land Registry Act of the Province of British Columbia is an absolute guaranty of the title certified thereby and should be at least equally acceptable to this Department as evidence of title to real property with a policy of title insurance submitted in compliance with Rule A of Instructions to Department Counsel dated March 19, 1912."

Title Policies Disapproved Under Rule A

Extract from Opinion of Department Counsel, dated January 2, 1913.

"The Department should decline to approve the acceptance by the Equitable Life Assurance Society as evidence of title to real property in Tennessee, of title policies issued by the Bank of Commerce and Trust Company of Memphis without the certificate required by Rule A, sub. 1 of Instructions to Department Counsel of March 19, 1912."

Idem

Extract from Opinion of Department Counsel dated February 6, 1913.

"The Department should decline to approve the acceptance by the Home Life Insurance Company as evidence of title to real property in Georgia of title policies issued by the Atlantic Title Guaranty Company where the company has not the charter required of Insurance Companies by the laws of Georgia and is therefore unable to furnish the certificate required by Rule A, sub. 1 of Instructions to Department Counsel, of March 19, 1912."

Section 44 — Reports of Corporations

Appraisal of Securities

Chapter 34, Laws of 1891, which provides that the estate of any insolvent or deceased person shall be appraised at its full value taking into account the actual sales of neighboring real estate or the average market value of stocks and bonds, does not govern the action of the Superintendent of Insurance in auditing

annual statements of existing insurance corporations engaged in the regular conduct of their business. The Superintendent is not required to appraise the market value of securities as of any specified day; he should use his discretion in determining the fair market value of such securities.

(See Op. A. G. July 17 and 19, 1907.)

Section 49 — Agents

Certificate of Does Not Authorize Acts of Agency for Other Than Corporation Designated

An agent authorized to act in one company may not, in case his company takes part of a proposed risk, place remaining portion of risk in another company through that other company's agent.

(See Op. A. G. Feb. 8, 1908.)

Section 50 — Agent's Certificate of Authority

Foreign Corporation as Agent

Foreign corporation can only act as agent for procuring insurance when expressly authorized so to do by its charter or when it has received such authority from this State.

(See Op. A. G. Nov. 16, 1893; July 22, 1897.)

General Agent for Foreign Company Must Have Certificate

General agent in this State signing policies issued by foreign company within penalty of section.

(See Op. A. G. June 2, 1904.)

Unauthorized Company Cannot Collect Premiums Through Agent

A foreign life company, not authorized to do business in this State, cannot establish agency in this State solely to collect premiums.

(See Op. A. G. Sept. 19, 1907.)

(See also § 91.)

General Superintendent of Agencies of Foreign Company Must Have Agent's Certificate

Extract from letter dated December 23, 1909, from the Superintendent to the New England Mutual Life Insurance Company.

"You state:

'My duties as general superintendent of agencies occasionally take me to New York city, also to Binghamton, Buffalo and Rochester, where we have general agencies. Occasionally, on such trips, I am requested to assist in closing a difficult case and heretofore have co-operated along these lines but without in any way, shape or manner receiving any commission or other compensation for such services in obtaining new business. As I am an officer of this company and the company is authorized to do business in your State, is it necessary that I should have an agent's license in order to operate along the lines suggested above?'

To your question my answer is yes."

Section 52 — Reorganization of Existing Corporations and Amendment of Certificates

Effect of, on Revaluation of Policies

A company which has changed from an assessment into an ordinary life company may not revalue policies as provided in section 52.

(See Op. A. G. June 20, 1906.)

Idem

Where a company has so circumstanced a portion of its policies that sections 52 and 84 are inadequate, section 85 applies.

(See Op. A. G. June 1, 1907.)

Section 55 — Insurance Without the Consent of the Insured Prohibited

Creditor May Not Insure Life of a Debtor

Extract from Opinion of Department Counsel, dated February 16, 1910.

"The ———— Company has presented, for approval, a form of policy which it designates as a 'creditor policy.' It is clearly apparent that the creditor is to apply for insurance upon the life of the insured under the policy. It is my opinion that such

form of policy is prohibited by section 55 of the Insurance Law, which provides that no policy, save in the cases therein mentioned, shall be written except upon the application of the *insured.*"

Assessment Company May Not Insure Infant

Assessment life insurance corporations may not issue infantile policies on the prudential plan.

(See Op. A. G. Nov. 1, 1892; Aug. 29, 1907; March 23, 1910.)

Beneficiary May Be an Institution but an Institution May Not Apply for Insurance

Extract from letter, dated August 10, 1911, from the Superintendent to John L. Blanchet.

"* * * I do not know of any provision of the Insurance Law 'that prohibits the issuing of a life insurance policy having an institution the beneficiary instead of a person.'

If the application for such policy were to be made by the institution it would fall within the prohibition of section 55 of the Insurance Law which provides that no policy, save in certain cases mentioned, shall be written except upon the application of the insured."

Premium May be Paid by Assignee

Company may pay for life insurance policy of purchaser of its timber lands on installment plan, said policy to be assigned to the company until all installments are paid.

(See letter dated April 11, 1911, from the Superintendent to The California Timber & Development Company, Inc., § 97, sub. 4.)

Annual Premium Policies May Not be Paid for in Monthly Installments

(See letter dated Sept. 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company, § 89, sub. 4.)

Section 58 — Policy to Contain the Entire Contract; Statements of Insured to be Representations and not Warranties

SUB. 1. POLICY TO CONTAIN ENTIRE CONTRACT

Annual premium policies may not be paid for in monthly installments

(See letter dated Sept. 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company, § 89, sub. 4.)

SUB. 3. ENDORSEMENTS ON STANDARD FORMS

Application May be Made Part of Contract by Endorsement or Attachment

Extract from letter dated August 8, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

"Section 58 of the Insurance Law clearly provides that the application for a life insurance policy to be issued on and after January 1, 1907, may be made part of the contract by endorsement thereon or attachment thereto."

(See ruling of Aug. 3, 1909, § 101 (new), sub. 3.)

(See also letter dated June 16, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company, § 89, sub. 3, last paragraph.)

Endorsement Covering Extra Hazard May be Used in Standard Policy

Extract from letter dated January 16, 1907, from the Superintendent to New York Life Insurance Company.

"Your favor of the 15th inst., enclosing a sample standard life insurance policy showing the endorsements used to cover the extra hazard when insured has had an attack of appendicitis within two or three years prior to applying for insurance, has been received.

I am of the opinion that the use of these endorsements is permitted by the provisions of section 58 of the Insurance Law."

Endorsement Giving Additional Options in Deferred Annuity Contract May be Used

Extract from letter dated March 4, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 3d inst., reading as follows:

'The standard annuity form, as promulgated by the Superintendent of Insurance, contains the following provision in the case of a deferred annuity by annual premiums:

After this contract shall have been in force three full years, if any subsequent premium is not duly paid, this contract will automatically become paid-up for an amount of annuity equal to as many * * * parts of the original annuity as there shall have been full years' premiums paid thereon at the time of default in the payment of premium. Such paid-up annuity shall be subject to the conditions of this contract, but without further payment of premium.

We desire to issue a deferred annuity by annual premiums and to grant additional options in the event of lapse after three years. Would such additional options be permitted under the standard form?'

I am of the opinion that section 58 of the Insurance Law will permit the indorsement upon or the attachment to the contract in question of additional options which shall not conflict with any of the provisions of such law."

SUB. 4. REPRESENTATIONS

Form of Application Should be Worded in Accordance with Section

Extract from letter dated November 21, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"I am of the opinion that the form of application used by any company should be worded in accordance with that provision of section 58 which reads: 'All statements purporting to be made by the insured shall, in the absence of fraud, be deemed representations and not warranties.'"

Any Waiver in the Application Shall be Void

Ruling of August 3, 1909.

"There was submitted a certain form of application which contained these words: 'That I hereby *warrant* each and every

statement herein made or contained to be full, complete and true.' Also this: 'And that if any * * * untrue statement or answer be made or contained herein, then the said policy and this contract shall be *ipso facto* null and void.'

The ruling thereon was as follows: 'This is plainly in violation of the provisions of section 58 of the Insurance Law. The last clause of that section reads: Any waiver of the provisions of this section shall be void.'"

Section 60 — Estimates and Misrepresentations Prohibited

SUB. 1. PROFITS AND DIVIDENDS

Illustration of Estimated Profits May Not be Circulated; Policy Must Contain Entire Contract

Extract from letter dated May 29, 1906, from the Superintendent to the Associate General Agent of The Northwestern Mutual Life Insurance Company of Buffalo.

"Your favor of the 26th inst., enclosing copy of an illustration of the profits estimated to be paid by the Fidelity Mutual Life Insurance Company on one of its 20-payment life policies with deferred dividends has been received.

It is the opinion of the Department that such an 'illustration of profits' cannot legally be issued or circulated in this State at this present time.

On and after January 1, 1907, every policy of life insurance issued or delivered within this State shall contain the entire contract between the parties and therefore the guarantees that show in the illustration you enclose, after the date named, would necessarily be incorporated in the policy itself."

Prohibition Applies to False Estimates Only, Not to Estimated Dividends Based on Actual Dividends Company is Paying

Extract from letter dated November 21, 1906, from the Superintendent to Connecticut General Life Insurance Company.

"You state that the estimated dividends in your enclosures 'are according to the actual scale which has been in use by this company since 1901;' that the new form will in all probability

oblige you to change your dividend scale somewhat, and you ask for a construction of section 60 of the Insurance Law.

In my opinion 'estimated dividends' based upon the actual dividends you are paying, and shall arrange to pay upon the new form of policy, are not such as are prohibited by section 60; the prohibition applies to false estimates only—'misrepresentations.'"

Illustrations of Profits Must Represent Present Day Results

Ruling of August 3, 1909.
Comments on an advertising booklet, "The Best Policy."

"The illustrations of cost, on pages 13 and 14, are misleading. Two of the policies there used as illustrations of cost (or profits) were issued in 1869, one was issued in 1872, one in 1873, and the one bearing the most recent date was issued in 1874. It is submitted that policies which became paid-up from fifteen to twenty years ago are not fair illustrations of present day results. According to the annual report of the company filed with this Department (as of December 31, 1908), showing dividends on twenty premium life policies, the accretions to such a policy as No. ——, had it become paid up in 1908, would have been less than one-half the amount stated in the illustration. * * * Advertising literature should, so far as possible, deal with present conditions and illustrations of results should be drawn from recent settlements under policy contracts which were of the same general character as those now lawfully issued in this State."

Memorandum of Cost Approved

Extract from a letter dated June 25, 1910, from the Superintendent to the Union Central Life Insurance Company.

"Your favor of the 23d inst., submitting for approval 'a memorandum of cost', is received. I would advise you that a statement worded as follows would be approved by me: 'First dividend at end of second year on basis of dividend paid in 1910 on issues of 1908, should be about ———— (stating the actual dividend paid).'"

"Partnership Proposition" Showing Actual Dividends Paid May be Circulated

Extract from letter dated October 31, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"Your favor of the 28th inst., enclosing a proposed 'partnership proposition' to be used in soliciting partnership insurance among large firms in your city, is received.

In my opinion dividend estimates based upon the actual dividends your company is paying and shall arrange to pay upon the form of policy in question are not such as are prohibited by section 60 of the Insurance Law; the prohibition applies to false estimates only, 'misrepresentations.'"

Comparative Reports of Various Life Insurance Companies May be Circulated

Extract from letter dated May 31, 1911, from the Superintendent to Goldberg & Erenstoft, New York.

"* * * You state:

'A client of ours is considering the advisability of rendering comparative reports of the various life insurance companies to those considering the taking of insurance out of one company or another * * *. Our said client has no connection at present with any insurance company.'

At this time I should not consider the making of such reports a violation of law."

Circular Letter of Feb. 21, 1913, *in re "Comparisons of Dividends"*

"Owing to the many inquiries relating to comparisons of dividends which have been made of late by life insurance agents and others it is thought best to advise you that:

'This Department holds that any comparison which purports to give the net cost or other benefits to be had in the future, such comparison being between two or more companies transacting business in this State, must be complete. If such comparison is incomplete it is misleading within the terms of section 60 of the Insurance Law of this State, and is, therefore, prohibited. A comparison to be complete must give all of the benefits, non-forfeiture or otherwise, the reserve basis and in the case of non-participating companies, proper value should be given to the saving of excess premiums in the early years, if any.'

The Department trusts that the various companies and their agents will comply with the spirit and letter of this ruling; kindly acknowledge receipt."

Comparisons of Future Net Cost Must be Complete

Extract from letter dated February 28, 1913, from the Superintendent to the Connecticut General Life Insurance Company.

In reply to your favor of the 25th inst. I would state that if you will read the ruling of the Department carefully, you will find that it only applies to net cost in the future. This Department has no objection to comparison of net cost in the past, if it is not done for the purpose of twisting business, but if your company desires to compare the cost of a policy in your company in the future with that of another company, you must give a complete comparison as to all benefits. The dividend comparisons published both by the Spectator Company, Flitcraft and others, as I understand it, are in comparison as to past facts and not future estimates.

Idem

Extract from letter dated February 28, 1913, from the Superintendent to the Home Life Insurance Company.

Your favor of the 25th inst. received, and in reply to the same I would state that the ruling of this Department only applies to comparison of the future net cost and had no reference to comparisons of past net cost. Section 60 prohibits misleading estimates, and this Department ruled that an incomplete comparison of net cost was a misleading estimate. The schedules of dividends paid in the past, published in the Department's report and other reports and publications, are not objectionable, unless they are used in an effort to twist policies.

Estimate of Future Dividends Must be Given in Detail

Extract from letter dated February 27, 1913, from the Superintendent to F. S. Eggleston.

"In reply to your favor of the 24th inst. I would state that if the Phoenix Life Insurance Company of Hartford, or its agents, make any statement estimating future dividends, it must state

them in detail, giving the amount of the dividend for the first and succeeding years for as long a term as is estimated. This will give the policyholder who purchases the policy an opportunity to check up company's estimate as soon as it commences paying dividends."

Words "Non-renewable," "Non-convertible" Must be Used When Term Form Does Not Provide for Renewal or Conversion

(See ruling of Jan. 15, 1913, new section 101, p. 356.)

SUB. 2. TWISTING

Misrepresentations of Agent Concerning Policies of Another Company

Extract from an opinion by the Superintendent, dated July 8, 1909, in the matter of Burr.

"Section 60 of the law was enacted to prevent the unsettling of insurance already written. If enforced, it protects the business of companies from raids from unscrupulous agents of other companies on policies already in force and it also protects the insured from the loss which inevitably follows the lapsation of insurance in any reputable company. The only one who really gains by the process of shifting insurance of some years' standing from one such company to another is the agent who is making his commission in the transaction. It is confusing and difficult enough for the ordinary layman to come to a conclusion regarding his insurance amid the persistent and conflicting advice to which he is subjected from resourceful and eloquent agents as soon as he shows the first symptoms of becoming a willing and select risk. But when he has solved the problem once to his satisfaction and has deliberately chosen his company and become insured therein, the least that can be asked is that he be left to pay his premiums and enjoy his insurance in peace. If, however, this is asking too much of an over zealous agent who, driven by an ever compelling desire to earn a commission, must argue and argue with him to change his insurance to the particular company he represents, then the least the Department can do to help maintain normal conditions in the insurance field is to insist in a very positive manner

that nothing but the unadorned truth will be tolerated from such agents engaged in this so-called 'readjusting' business. This it intends to do."

Business Belongs to Company; Expirations to Agent

Extract from letter dated November 14, 1912, from the Superintendent to William H. Bell.

"This acknowledges your letter of November 8th, with reference to the respective rights of agents and companies in the business of insurance placed by the agents with the companies, with particular respect to health and accident policies.

"It is our view that when a company has paid a commission for a policy or policies of insurance, the business belong to the company for the period of the insurance covered by the policy; and that, while the 'expirations' belong to the agent, fair dealing forbids an agent to disturb or twist such business before its expiration."

Section 70 — Incorporation

SUB. 1. INSURANCE UPON LIVES OR HEALTH

Insurance Against Disability or Disablement Distinguished from Accident Insurance

Extract from letter dated April 9, 1909, from the Attorney-General to the Superintendent of Insurance.

"* * * Subdivision 1 of § 70, under which the Liberty Life Insurance Company is incorporated, provides that corporations formed under its provisions may write the following kinds of insurance:

'1. Upon the lives or the health of persons and every insurance appertaining thereto and to grant, purchase or dispose of annuities.'

* * * * * * * * * *

It is * * * my opinion that the Liberty Life Insurance Company, under subdivision 1 of § 70, has the right to issue policies or to reinsure outstanding policies of other companies which indemnify the insured against disability or disablements from

whatever cause resulting, so long as accident insurance as such is not issued * * *."

(See Op. A. G. Feb. 23, 1909, § 22.)

Life Insurance Policy May Have Attached Health Insurance Rider

Ruling of November 3, 1909.

"Companies organized under subdivision 1, of section 70, may attach to their life insurance policies health insurance riders."

Authorized and Prohibited Risks

Charter of foreign life and accident company construed strictly against incorporators; where special powers are given under special act, powers are not enlarged by general act.

(See Op. A. G. Nov. 17, 1892.)

Idem

Foreign mutual life company may not be admitted to do business as a stock company.

(See Op. A. G. July 2, 1895.)

Idem

Undertakers and medicinal supply company may incorporate under sub. 1 of section 70.

(See Op. A. G. Aug. 19, 1895.)

Idem

Life insurance company may not insure invalid lives.

(See Op. A. G. Oct. 10, 1895.)

Idem

Foreign life and trust company combining banking with a contract of insurance may not be admitted.

(See Op. A. G. May 14, 1896.)

Automobile Collision Contracts Authorized Under Sections 70 and 150

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

"It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110."

Section 71 — Completion of Organization

Reduction of Capital Stock

Right to reduce capital stock not limited to cases where capital stock has been paid in.

(See Op. A. G. Feb. 9, 1903.)

Subscription to Capital Stock Prior to Admission

Subscription to capital stock subsequent to filing declaration prior to admission allowed.

(See Op. A. G. Aug. 6, 1903.)

Excess Deposits May Be Returned

The Superintendent of Insurance has authority to return to a life insurance company securities on deposit with him in excess of the amount required by the statute to be so deposited. Distinction between old and amended law with reference to return of excess deposits pointed out.

(See Op. A. G. July 1, 1909.)

Section 83 — Distribution of Surplus to Policyholders

SUB. 1. ANNUAL DIVIDEND POLICIES

Word "Issued" as Used in Sections 83 and 102, Synonymous with "Written," as Used in Section 103

Extract from letter dated January 8, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

"* * * Your statement: 'That the meaning of the word *issued* as used in the Armstrong Amendments (in §§ 83 and 102), imports a different act from the act of delivery which by the terms of the contract would give the policy its legal inception and is used synonymously with the word *written*, as used in insurance parlance and in section 103 of the law,' is, in my opinion, correct."

SUB. 2. DEFERRED DIVIDEND POLICIES

Deferred Dividend Policies Cannot be Issued at Home or Abroad After January 1, 1907

Extract from letter dated December 3, 1906, from the Superintendent to the Germania Life Insurance Company.

"Policies with deferred dividend periods as mentioned in V. of your letter cannot be issued at home, or abroad, after January 1, 1907. See section 83 of the Insurance Law."

Deferred Dividend Policies Issued Prior to January 1, 1907, *Not Affected by Provisions of the Law*

Extract from letter dated February 15, 1907, from the Superintendent to the Editor of The World's Work.

"Your favor of the 14th instant, relating to deferred dividend policies issued prior to the passage of the insurance laws of 1906, is received. * * *

The provision of section 83, requiring distribution of surplus to be made annually, applies to policies issued on and after the 1st day of January, 1907. * * *"

(See extract from letter dated August 16, 1906, from the Superintendent to "The Western Underwriter," § 97, sub. 1.)

Deferred Dividend Policy Issued Prior to January 1, 1907, *May be Changed to Endowment Policy*

Extract from letter dated April 23, 1907, from the Superintendent to the Home Life Insurance Company.

"* * * You ask for a decision on the following point:

'In the case of a limited payment life or ordinary life policy issued prior to January 1, 1907, with a deferred dividend period, will the company be violating either the spirit or the letter of the law if, upon request, the original policy is changed to an endowment policy for the same amount, the changed form of policy bearing the same date as the original and the premium consideration being that for the age at which the policy was originally issued with a deferred dividend period for the same term of years as the original policy?'

I am of the opinion that the change, as stated, may be made."

Deferred Dividend Policy Issued Prior to January 1, 1907, *May be Exchanged for Another Form with Same Deferred Dividend Period*

Extract from letter dated August 14. 1908, from the Superintendent to the Fidelity Mutual Life Insurance Company.

"Your favor of the 13th inst. is received. You state:

'We would be pleased to have your ruling with reference to changes which are sometimes desired in policies issued prior to January 1, 1907. It sometimes happens that a policyholder insured under a policy which by its terms defers the distribution of surplus to some future date more than one year beyond the date of issuance of the policy, desires to have the same changed to another plan, the changed policy to be issued as of the same original date

and age. To illustrate: There may be a policyholder having an ordinary life policy with dividends deferred for twenty years, issued five years ago, who now desires to have the same changed to 20-payment life or 20-year endowment, the changed policy to be in all respects the same as if it had been applied for and issued five years ago, and containing the same provisions as to deferring dividends.'

To this my answer is that a deferred dividend policy issued prior to January 1, 1907, may after that date be exchanged for another form of policy with the same deferred dividend period, written on the original age and date of issue."

SUB. 3. EXISTING DEFERRED DIVIDEND POLICIES

Sums Held for Account of Existing Deferred Dividend Policies Shall be Set Aside Annually

Extract from letter dated January 25, 1907, from the Superintendent to Mr. H. R. Lawford.

"Section 83 provides for the ascertainment and distribution annually of its proportion of the surplus to every policy issued on and after Jan. 1, 1907. It also provides for the setting aside annually of 'such sums as may properly be held for account of existing deferred dividend policies.'"

SUB. 4. SURPLUS — EARNED OR SAVED

Deferred Dividend or Non-participating Plan in Mutual Company Issued in 1906, *Not Completed Until* 1907

(See letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company, appearing under § 101, sub. 1 (old), standard policy form.)

Surplus Earned During Year Need Not be Ascertained Until End of the Year 1907

Extract from letter dated November 28, 1906, from the Superintendent to The Mutual Life Insurance Company.

"I am clearly of the opinion that the sentence: 'Upon the thirty-first day of December of each year, or as soon thereafter as may be practicable, every corporation shall well and truly ascertain the surplus earned by such corporation during said year' does not apply to the present year; it does not become applicable until the end of the year 1907."

When Declared Dividends Considered a Liability

Upon examination, Superintendent must regard declared dividends as a liability.

(See Op. A. G. June 20, 1906.)

Idem

Dividends for 1905, credited during that year to several policies, but not paid, should be considered a liability of the company, if the company had surplus when such dividends were credited.

(See Op. A. G. June 1, 1907.)

Policyholders May Not be Discriminated Against

Life insurance company should not discriminate among policyholders in distribution of profits.

(See Op. A. G. June 8, 1908.)

No Surplus Paid or Credited on Policy Unless Saved or Earned

Extract from letter dated June 7, 1909, from the Superintendent to the Provident Life and Trust Company.

" Of course, if there be no 'surplus to divide at the end of the first year,' or any other year in the life of a policy, there will be nothing paid on or credited to it."

Policy Cannot Defeat Right of Election to Direct Manner in Which Dividends Shall be Paid

Ruling of September 4, 1909.

" Certain policy forms which were submitted contained a provision: 'That unless used as provided for, all distributions of surplus *shall* remain in the hands of the company.' The ruling thereon was as follows: 'The use of the word *shall* in forms 7, 8, 9, 29 and 37 in the clause relating to the distribution of surplus, is deemed objectionable for the reason that it indicates, primarily, an obligation on the part of the policyholder to leave the dividends with the company without electing annually the manner in which such dividends shall be applied, as required by the terms of section 83 of the Insurance Law. In such a matter the practice of a company should conform to the statute and the substitution of the word *may* in place of the word *shall* will more nearly meet the requirements of section 83.' "

Paid-Up Clause Not Defeating Options May be Used

Extract from letter dated August 16, 1910, from the Superintendent to Messrs. Hanson & Dickson.

"You ask:

'If a policy containing such a clause as — upon default in the payment of any premium, this policy will be binding upon the company as participating paid-up insurance for a reduced amount, payable at the same time and on the same conditions as under the original contract — or one similar thereto, may lawfully be issued in this State, at the present time, by a New York or Massachusetts life insurance company.'

To this my answer is, yes, in connection with 'the options to which the policyholder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.'"

Payment of Dividend May be Made Contingent upon Payment of Second Annual Premium

Extract from letter dated February 21, 1911, from the Superintendent to The Union Central Life Insurance Company.

"* * * You state:

'We propose paying a dividend at the end of the first year on policies issued in 1911 and will be obliged for an expression of your opinion, whether under the New York laws such first year dividend may be made contingent upon the payment of the second annual premium.'

I would advise you that there is nothing in the Insurance Law to prevent such payment of dividend."

No Provision in the Insurance Law by Which Life Companies Would be Bound to Pay Dividends at the End of the First Year

Extract from letter dated September 25, 1911, from the Superintendent to R. C. Hunter.

"* * * There is no provision in the Insurance Law of this State by which 'all life insurance companies issuing policies in your (this) State would be bound under the law to pay a dividend at the end of the first year."

Section 83 provides that:

'Except as herein provided, every domestic life insurance corporation heretofore or hereafter organized, whether incorporated by special act or under

a general statute, anything in its charter or certificate of incorporation or in such special act or general statute to the contrary notwithstanding, shall provide in every policy issued on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise.'

New section 101, subdivision 5, provides that policies issued on and after January 1, 1910, shall contain 'A provision that the policy shall participate in the surplus of the company annually.' This agrees with the clause relating to participation in the standard forms of policies provided for by old section 101.

You will, of course, bear in mind the fact that a ' dividend ' cannot lawfully be declared unless ' the surplus accruing upon said policy ' is sufficient to warrant it."

SUB. 7. FOREIGN CORPORATION, PARTICIPATING POLICY

Foreign Company Must Provide for Distributing Surplus Annually in All Participating Policies (Industrial or Ordinary) Issued or Delivered by It in This State

Extract from letter dated January 3, 1907, from the Superintendent to the Columbian National Life Insurance Company.

" Section 83 of the Insurance Law provides that:

'A foreign life insurance corporation which shall not provide in every participating policy issued or delivered in this State on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise, and which shall not ascertain and distribute the surplus accruing upon said policies annually either by providing for their payment in cash or their application to the payment of premiums or to the purchase of paid-up additions or for their accumulation as above provided in the case of domestic corporations shall not be permitted to do business within this State.'

This provision applies to ' every participating policy issued or delivered in this State ' by a foreign life insurance company on or after January 1, 1907, regardless of the fact whether it is an industrial or an ordinary policy."

Automatic Feature of Applying Dividends Not Compulsory on Foreign Life Insurance Companies

Extract from Opinion of Department Counsel, dated October 25, 1909.

" The question of whether a foreign life insurance company, doing a participating business, will be permitted to issue policies in this State, which do not provide for the so-called automatic

feature of applying the annual dividend to the purchase of paid-up additions in case the policyholder does not affirmatively elect the manner in which he desires his dividends applied, has been referred to me for opinion. Inasmuch as the main purpose of the section is to secure annual distribution in one of the four ways mentioned, and inasmuch as the four ways are set forth specifically for the guidance of domestic companies, it is my opinion that the words quoted have reference to such method of distributing surplus applicable to dividends rather than to that part of the section providing for the automatic feature and, in my judgment, the Department would be justified in permitting foreign life insurance companies to do business in this State whose participating policies provide that the dividends shall be ascertained and divided annually in one of such four ways."

Section 84 — Valuation of Policies

SUB. 1. VALUATION OF POLICIES

Valuation of insurance policies under new provisions of section 84.

(See Op. A. G. June 11, 1906.)

Idem

Company should be charged with special reserve as a liability where it appears that the company upon reorganization as a stock company agreed to set aside such reserve.

(See Op. A. G. June 1, 1907.)

Idem

Select and ultimate method involves the proposition that the minimum net valuation shall equal the mortality risk at select rates from the date of valuation to date when next premium falls due.

(See Op. A. G. Nov. 21, 1907; Jan. 27, 1908.)

SUB. 3. EXTRA HAZARDS

"Special Class" Policies May be Valued on Table of Mortality Based on Experience of a Company in This Class of Business

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 84 of the Insurance Law provides a legal minimum standard of valuation for 'all contracts issued on and after the

1st day of January, 1907.' It also provides that: 'The Superintendent may vary the standards of interest and mortality * * * in particular cases of invalid lives and other extra hazards,' etc. This last provision will allow the adoption, for the purposes of valuing your 'special class' business, of a table of mortality based on the experience of your company with this class of risks.

Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

Valuation of Policies Issued on Underaverage Lives

Extract from letter dated November 22, 1906, from the Superintendent to New York Life Insurance Company.

"Your favor of the 21st inst., enclosing three forms of standard life insurance policies modified, 'In order to provide for applicants who are underaverage risks by reason of personal or family history, physical condition or occupation,' has been received. * * *

As to the valuation of this class of policies, I am of the opinion 'that the reserves and the single premiums for life, term, and pure endowment should be those for the true age of the insured plus the advance in age for impairment.'"

Valuation of Policies Issued in Semi-Tropical and Tropical Countries

Extract from letter dated September 17, 1906, from the Superintendent to New York Life Insurance Company.

"Your suggestion that: 'The standard for the valuation of policies and for single premiums for life, term, and endowment be Sesqui-American Mortality for countries in which the Semi-Tropical premium is charged and Double American Mortality in countries where the Tropical scale is charged and that where the rate of premium used in calculating the premium under the original policy was 3 per cent., the same rate of interest be used in calculating the Semi-Tropical and Tropical reserves on the foregoing bases of mortality,' is approved."

Standards Adopted by the Superintendent in Cases of Invalid Lives and Other Extra Hazards to be Construed as Legal Minimum Standards

Extract from letter dated July 26, 1907, from the Superintendent to Metropolitan Life Insurance Company.

"You refer to that provision of section 84 of the Insurance Law which authorizes the Superintendent to vary the standards of interest and mortality 'in particular cases of invalid lives and other extra hazards,' and state:

'The question arises whether the standards adopted by the Superintendent in particular cases of invalid lives and other extra hazards are to be construed as minimum standards. If they are not to be construed as minimum standards, then what Select and Ultimate Table of Mortality should be used to determine the minimum standard?'

In reply I would advise you that the standards adopted by the Superintendent for the cases referred to are to be construed as legal minimum standards."

Valuation of Waiver of Premium on Permanent Disability

Extract from letter dated August 9, 1911, from the Superintendent to the New York Life Insurance Company.

"* * * In accordance with the following provisions of section 84 of the Insurance Law, 'The Superintendent may vary the standards of interest and mortality in particular cases of invalid lives and other extra hazards,' etc., the Superintendent adopts for the valuation of waiver of premium on permanent disability, Arthur Hunter's 'Tables of Rates of Disability, and of Mortality among Disabled Lives,' combined with American Experience Table of Mortality with Interest at 3 per centum per annum. (See No. 45 'Transactions' Actuarial Society of America.")

Valuation of Supplementary Contracts for Waiver of Premium

Extract from letter dated October 15, 1912, from the Superintendent to the Metropolitan Life Insurance Company.

"* * * You state:

'We have the reserves issued by the Department on Hunter's Disability Tables based upon 3 per cent. interest, which we understand will be used for companies on the 3½ per cent. basis, and are accordingly preparing to use these reserves, but, unfortunately, they are published only for the regular

kinds of policies such as life, limited payment and endowment. It is therefore necessary for us to prepare the tables of reserves for those special policies issued by this company, such as optional life or endowment, guaranteed dividend, etc., and we ask your permission to value these policies on the basis of the mean reserves obtained by increasing the twenty payment life mean reserves for each year in the proportion that the net 3½ per cent. annual premiums on these policies bears to the net 3 per cent. premium for the twenty payment life on the American table. Similarly for other policies with the premiums limited to twenty years. Where the premiums are limited to ten and fifteen years, we propose the use of the ratio of the ten payment 3 per cent. premium or fifteen payment 3 per cent. premium. * * *

We suggest this method for use only on our special policies, being perfectly agreeable to the entire 3 per cent. reserve where that is published on the regular forms, and, furthermore, we would suggest, that, if you acquiesce in this for our special policies on the 3½ per cent. basis, we use the same reserve on our 4 per cent. policies issued prior to 1901. As the net premium on a 3½ per cent. basis is higher than on a 4 per cent. basis, we would be on the safe side.

If we receive your permission to increase the limited life reserves in proportion to the increase in premiums, as herein suggested, we will prepare a complete table of reserves for all our special policies and forward them to you in the near future.'

For the purposes of the current year's valuation the proposed method of valuation has my approval."

SUB. 4. FOREIGN VALUATION

Valuation of life insurance companies, incorporated under the laws of any State or country, outside of the United States, is upon policies in force only in this country.

(See Op. A. G. Dec. 28, 1893.)

Valuation of Foreign Policies Issued After January 1, 1907, *Must be Made upon Basis of Am. Ex. Table of Mortality* 3½ *per cent, Select-and-Ultimate Method*

Extract from letter dated April 24, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

"Your favor of the 22nd inst., relating to the last sentence of section 84 of the Insurance Law of this State, has been received.

Section 84 provides that

'The Superintendent of Insurance shall annually make valuations of all outstanding policies, etc., of every life insurance corporation doing business in this State. These valuations are to be made on the net premium basis in accordance with certain prescribed minimum standards. In the case of a corporation of any other State the Superintendent may, under certain con-

ditions, accept the certificate of valuation of the Department of Insurance of such other State "if made upon the basis and according to the standards herein required * * *."'

I am of the opinion that the certificate of valuation of the Department of Insurance of another State, referred to above, so far as it relates to policies issued on or after January 1, 1907, must be made upon the basis and according to the standards set forth in the section, American Experience Table of Mortality with interest at 3½ per cent. per annum, Select-and-Ultimate method.

The sentence quoted by you provides that any life insurance corporation valuing its policies or any class thereof (issued on or after January 1, 1907), upon standards producing reserves greater than those computed by the legal minimum standard, 'in every such case shall report any excess of its valuations over those computed by the said legal minimum standard,' etc.

I am of the opinion that in every such case where a life insurance corporation of another State charges itself with reserves 'greater than those computed by the legal minimum standard,' the company, in addition to the certificate referred to above, will have to furnish, as formerly, a proper certificate of valuation by the Department of Insurance of its home State, based upon the standards adopted by the company and also 'report any excess,' etc., in its annual statement."

Policies Issued on and After January 1, 1907, *Must be Valued According to Standards Taking Effect That Day*

Extract from letter dated May 1, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

"Your favor of the 26th ult., in further reference to section 84 of the Insurance Law of this State, was received by due course of mail.

As the section now stands, all policies issued on and after January 1, 1907, must necessarily be valued upon the standards and in accordance with the method taking effect that day, in order that the excess of the company's valuation, if any, over that made upon the legal minimum standard may be determined. Of course this will require that all extra guaranties shall be properly valued."

Valuations of Policies by Another State Will be Accepted if Made upon a Basis Which Would Give a Higher Reserve

Extract from letter dated January 17, 1908, from the Superintendent to Commissioner of Insurance of New Jersey.

"You write:

'Your State has by law prescribed the Select and Ultimate Table with 3½ per cent. interest as the basis for valuation of all policies issued in 1907 and thereafter, but as this is the *minimum* standard, I assume that you would accept the valuation of another State if made upon a basis or bases which would give a higher reserve.'

Your assumption is entirely correct if valuation of policies issued on and after January 1, 1907, is made according to the American Experience Table at a rate of interest not lower than 3 per cent. per annum.

SUB. 5. JOINT LIVES

Makehamized Am. Ex. Table May be Used for Valuation of Joint Life and Last Survivor Insurances

Extract from letter dated April 3, 1907, from the Superintendent to The Equitable Life Assurance Society of the United States.

"In my opinion the Makehamized American Experience Table (Hunter's) may be used for the valuation of, and all other purposes connected with, joint life and last survivor insurances.

An extension of the American Experience Table to age O has been made by Mr. James M. Craig and a copy thereof is enclosed herewith. The use of this extension for the valuation of, and all other purposes connected with, children's endowments, has my approval."

Idem

Extract from letter dated November 22, 1911, from the Superintendent to B. R. Nueske.

"* * * Enclosed herewith you will please find copy of a letter dated April 3, 1907, from the Superintendent to the Equitable Life Assurance Society of the United States. The table fixed for the valuation of joint life and last survivor insurances should have been entitled the 'Makehamized American Experience Table (Hunter's).'"

SUB. 6. TERM POLICIES

Select and Ultimate Valuation of Term Policies

Extract from letter dated March 19, 1907, from the Superintendent to Home Life Insurance Company.

"In valuing term policies, where the reserve computed according to the Select and Ultimate method is less than the reserve upon a one-year term insurance computed according to the Select and Ultimate method, the latter reserve should be used."

SUBS. 7 and 8. INDUSTRIALS AND ANNUITIES

Standards of Valuation for Annuities and Industrial Policies

Extract from letter dated March 1, 1907, from the Superintendent to the Secretary of the Actuarial Society of America.

"Section 84 of the Insurance Law of this State contains the following provision:

'As soon as practicable after the first day of January, nineteen hundred and seven, the Superintendent of Insurance shall fix legal minimum standards for the valuation of industrial policies and annuities which shall be valued in accordance therewith.'

I would advise you that, in accordance with said provision, I have fixed as such legal minimum standards for the valuation of industrial policies the 'Standard Industrial Mortality Table' and the 'Sub-standard Industrial Mortality Table,' based on the experience of the Metropolitan Life Insurance Company, and for the valuation of annuities, Emory McClintock's 'Tables of Mortality among Annuitants,' with interest at 3½ per centum per annum in each case."

Minimum Standards for Valuation of Industrial Policies and Annuities Apply Only to Business Written on and After January 1, 1907

Extract from letter dated March 11, 1907, from the Superintendent to the Insurance Commissioner of Pennsylvania.

"Replying to your favor of the 7th inst., would state that the standards fixed for the valuation of industrial policies and annuities apply only to business written on and after January 1, 1907. They may, however, be used for issues prior to that date if a company should so elect."

Standards for Valuation of Industrial and Intermediate Annuity Contracts

Extract from letter dated February 24. 1909, from the Superintendent of Insurance to the Metropolitan Life Insurance Company.

" Your favors of the 8th and 19th inst. with enclosures relating to your 'request that additional standards be fixed for the valuation of industrial and intermediate annuity contracts,' were received by due course of mail.

I would advise you that for such purposes I have fixed the Standard Industrial Mortality Table and the Intermediate Table of Mortality, with interest at 3½ per cent. per annum, as legal minimum standards of valuation."

SUB. 10. EXCESS TO BE REPORTED

When Standard of Valuation Giving Results in Excess of Those Based on the Minimum Standards is Adopted, Excess Must be Reported

Extract from letter dated March 6, 1907, from the Superintendent to Home Life Insurance Company.

" In your favor of the 1st inst. * * * you write:

'As this company has decided to value the policies issued by it on and after January 1, 1907, on the full American 3½ per cent., we wish to know whether the new law compels us to make a second valuation of this business according to the Select and Ultimate plan and state under its liabilities the reserve according to the Select-and-Ultimate and the excess of the full American 3½ per cent. over the Select-and-Ultimate.'

Section 84 of the Insurance Law of this State provides that, when a company adopts standards of valuation giving results in excess of those based on the minimum standards set forth in the section, the amount of such excess must be reported by the company in its annual statement."

Idem

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

" You ask for a ruling on the following point:

'When a company holds the reserve on the full American 3 per cent. must it state the excess of that reserve over the American 3 per cent. Select-and-Ultimate or over the American 3½ per cent. Select-and-Ultimate in order to comply with the requirements of section 84?'

* * * * * * * * * *

I am of the opinion that this (section 84), requires a statement of the excess of the reserve valuation based on the company's

own standards over one made in accordance with Select and Ultimate method on the legal minimum standard American Experience 3½ per cent."

Double Valuations, and Reports of Excess Valuation

Extract from letter dated December 29, 1908, from the Superintendent to the Mutual Benefit Life Insurance Company.

"* * * Provisions of our law require double valuations of all policies issued on and after January 1, 1907, by all companies using standards and methods of valuation giving results in excess over those computed by the legal minimum standard set forth (in section 84) * * *."

(See also rulings under § 52.)

Report of Excess Valuation Not Required

Extract from letter dated July 8, 1913, from the Superintendent to the New York Life Insurance Company.

"You state:

'Section 84 of the Insurance Law has been amended so as to omit the words "any excess of its valuations over those computed by the said legal minimum standard and also." In view of this change, we understand that it will not be necessary for us to prepare a valuation for 1913 on the "Select and Ultimate" basis.'

Your understanding of the effect of the change referred to is correct."

Section 85 — When Actual Premium is Less Than Net Premium

Where a company has so circumstanced a portion of its policies that sections 52 and 84 are inadequate, section 85 applies.

(See Op. A. G. June 1, 1907.)

Section 86 — What Shall be Allowed as Assets; Impairment of Capital Stock

Method of Computing Reserve by Companies Writing Liability Insurance

Instructions sent December 31, 1909, to all companies writing liability insurance under subdivision 3, section 70, reporting to the Department.

"It appears that some of the liability companies issue workmen's collective (workmen's wage) or workmen's indemnity policies and employers' liability policies on the same risk or plant.

In all cases where the two classes of insurance are carried on the same risk, all notices of injury received, whether at the liability claim department or any other department or agency, must be treated, for the purpose of computing the liability loss reserve provided for in section 86 of the Insurance Law, as notice of injury received under liability policies unless it is definitely known that the accident occurred outside the hours or the territory covered by the employers' liability policy, although the notices may only result in payments within the limit of the workmen's collective or indemnity policies.

The utmost deduction which can be allowed for payments on these notices will be the amount of the excess of the payment over the payment required by the workmen's collective or indemnity policy. To illustrate: Suppose a workmen's collective policy providing for half wages is issued, covering the employees in a factory where the employer also carries a liability policy in the same liability company. Any notices received under the workmen's collective policy must also be treated as notices received under the liability policy. If an accident should only result in a payment of the amount required by the workmen's collective policy no deduction should be made in computing the loss reserve, although the notice reserve must be charged. If the accident should result in a payment in excess of the amount required under the workmen's collective policy, the excess may be deducted. For example, if the payment under the workmen's collective is $40.00 and $5.00 extra is paid to obtain a full release, then $5.00 can be used as a deduction in computing the loss reserve."

Section 88 — Surrender Value of Lapsed or Forfeited Policies

SUB. 9. DOMESTIC CORPORATIONS. NEW POLICIES

Amendments as to Surrender Values Do Not Apply to Foreign Life Insurance Companies

Extract from letter dated June 14, 1906, from the Superintendent to the Assistant Secretary of State for Louisiana.

"It is our understanding that the Special Legislative Investigating Committee did not apply the amendments as to surrender

values to foreign life insurance companies for the reason that section 88, as existing before the amendments of this year, applies specifically to domestic companies. Further, that the arguments presented to the Committee at the time of the public hearings, calling attention to comity between states, impressed the Committee with the idea that it would be best to follow the policy of the old law in applying the new provisions."

Cash Surrender Values May be Included in Policy Contracts

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"There is nothing in the laws of this State to prohibit the inclusion of cash surrender values in policy contracts."

Surrender Values Prescribed in Law are Minimum Values and Larger Values May be Allowed

Extract from letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company.

"Your favor of the 24th inst. relating to the surrender values which may be allowed for life insurance policies issued on and after January 1, 1907, has been received.

I am clearly of the opinion that the surrender values, referred to in the third paragraph of section 88 of the Insurance Law, are minimum values, and that larger values may be allowed by companies. The only limitation in the paragraph is that which is placed upon the surrender charges which may be made by the companies."

Surrender Values on "Special Class" Business

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

(See letter dated August 27, 1906, § 84, sub. 3.)

Surrender Value, Sub-standard Risk

(See Ruling of Jan. 12, 1912, § 101 (new) sub. 6.)

SUB. 18. WEBER ANNUITIES BILL

Forms Required Under Amended Section Must be Submitted to Superintendent

Extract from letter dated June 2, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"You write:

'The Governor having approved Mr. Weber's bill, which we have called the annuities bill, the question arises whether, in order to issue policies, we have got to have a new standard form approved by the Department and whether, in order to be able to approve it, the Department has got to give notice to all the companies as formerly.'

To this my answer is yes.

You further inquire:

'The question we ask you is whether we can amend the standard form already approved by your Department by incorporating into it provisions for proportionate parts of the paid-up annuity without going into the prescribed formula as to standard forms, notifying other companies and having a hearing? In other words, is not the passage of this amendment sufficient authority for you to approve the amendment to the form already adopted conforming to the new statute?'

To this my answer is no."

Waiver of Lapse or Forfeiture Provisions in Application Void

Ruling of August 7, 1909.

"In the application blank, part 2, the insured is required to make this statement: 'I hereby agree * * * that the provisions in such policy, in case of failure to pay premiums, shall be held to be in substitution for and in waiver of the rights of all parties hereto under any law of any State relating to the lapse or forfeiture of policies of life insurance.'

The use of this form in the State of New York cannot be permitted. See sections 88, 92 and 101 (new) of the Insurance Law."

Section 89 — Discriminations Prohibited

SUB. 1. CLASS DISCRIMINATIONS

Definition of the Word "Class"

Extract from letter dated April 26, 1907, from the Superintendent to the Deputy Insurance Commissioner of Alabama.

"Your favor of the 23d inst., relating to the meaning of the word 'class,' as used in the Insurance Law, has been received.

The first sentence of section 89 of the Insurance Law of this State reads as follows:

'No life insurance corporation doing business in this State shall make any discrimination in favor of individuals of the same class or of the same expectation of life either in the amount of premium charged or in any return of premium, dividends or other advantages.'

I am of the opinion that, as used in this sentence, the word means a number of persons having certain characteristics in common, as occupation, education and habits of life."

Writing Lives of Bank Officials and Employees as a Class at a Lesser Premium Falls Within Prohibition of Section

Extract from letter dated May 20, 1907, from the Superintendent to Bankers Life Insurance Company.

"You quote the first sentence of section 89 of the Insurance Law and state:

'We believe that the restriction quoted above does not contemplate prohibiting us from writing bank officials and bank employees *as a class* at a lesser premium than the general risks assumed by the company, but before so doing we desire to submit the matter to your Department for its ruling.'

In my opinion your contemplated action falls within the prohibition of the section."

New $5,000 *Ordinary Life Policy of the Metropolitan Life Insurance Company Does Not Violate Provisions of Section*

Extract from letter dated July 19, 1909, from the Superintendent to C. B. & H. M. Taylor.

"Your favor of the 15th inst., relating to the new $5,000 ordinary life policy of the Metropolitan Life Insurance Co., has been received.

The Department does not consider that this policy in itself violates the provisions of section 89 of the Insurance Law; it may be had by anyone able to pass the required medical examination and pay the premium."

Discriminations in Cash Surrender Values and Paid-Up Insurance on Lapsed Policies Within the Prohibition of the Section

Extract from circular letter dated July 27, 1909, from the Superintendent to each life insurance company doing business in this State.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * * * * * * *

"III. That discriminations between policyholders of the same class in the granting of cash surrender values and paid-up insurance on lapsed policies are interdicted by section 89, though not strictly paid, allowed or given as an inducement to a person to insure."

Failure to State Rate of Interest May Result in a Discrimination

Ruling of August 7, 1909.

"A definite rate of interest on premiums for the period of grace should be stated in the policy. If the rate of interest is not definitely fixed by the terms of the policy, there is at least a possibility that the rate would be varied in some cases, which would be a violation of section 89 of the Insurance Law."

"No Discrimination" Where Reserve Value of a Small Paid-Up Policy is Applied Towards Purchase of New Insurance

Extract from letter dated September 1, 1909. from the Superintendent to the Manhattan Life Insurance Company.

"* * * You state:

'What we desire to know is whether the Department's third ruling implies that section 89 prohibits the company from applying in such cases (see head note), the reserve value calculated according to the Am. 4½ per cent. to the purchase of such new insurance, although such reserve value may be somewhat larger than we would regularly pay in cash for an absolute surrender of the paid-up, provided that there is no discrimination and that every policyholder of the same class has the same opportunity to take the new insurance and can pass the same medical examination that would be required for the revival of the original policy.'

To this my answer is no."

Where a Privilege is Offered to Every Applicant, there is no Discrimination

Extract from letter dated December 12, 1910, from the Superintendent to the New York Life Insurance Company.

"* * * You state:

'The former practice of the New York Life Insurance Company was to extend to every applicant the privilege of making the first annual premium fall due as of a date prior to the date of the application whenever the insured desired it, irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application, and without regard to whether the case was a competitive one or not. In the majority of such cases the request of the applicant was made for the purpose of securing a policy on which the premium would fall due on the date best suited to his individual need.'

Where the privilege referred to is offered to every applicant 'irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application and without regard to whether the case was a competitive one or not,' in my opinion it would not be a discrimination and would not fall within the prohibition of the statute."

Section 89 Applies to Annuities as well as to Life Insurance

Extract from letter dated May 1, 1912, from the Superintendent to the Provident Life and Trust Company.

"* * * You ask:

'Does section 89 of the New York law, forbidding discrimination, apply to annuities as well as to life insurance.'

I am of the opinion that for the purposes of the section mentioned, annuities are to be considered as insurances."

SUB. 3. ANTEDATING POLICIES

Use of "C" Forms for Antedating Policies Prohibited

Ruling dated August 9, 1909.

"All the 'C' forms are objectionable for the reason that the policies are antedated for the avowed purpose of allowing the policyholder to take advantage of the premium rate at an age one year younger than his true age. These 'C' forms cannot be ap-

proved for use in this State, since the use of this form would be in violation of both the letter and the spirit of section 89 of the Insurance Law, which prohibits discriminations."

Dating Back of a Life Insurance Policy Prohibited

Extract from a letter dated February 21, 1910, from the Superintendent to the Columbian National Life Insurance Company.

"The Department has ruled that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory and falls within the prohibition of section 89 of the Insurance Law; that the ruling applies to all life insurance corporations doing business in this State; that the prohibitions of section 89 of the Insurance Law are not limited to the issues in this State of a life insurance corporation doing business in this State; that the law does not prohibit dating back absolutely; it does prohibit discrimination; and that the ruling relating to dating back a life insurance policy in order to give the insured the benefit of a younger age does not apply to those cases of exchange of policies which occasionally occur in the regular transaction of a company's business. The Department cannot undertake to advise life insurance agents as to the application of any of these rulings to any individual case that may arise in the transaction of an agent's business. In such case the agent should be advised by his own counsel or that of his company."

Giving of New Policy at Old Rate of Five Years Previous a Discrimination

Extract from letter dated September 9, 1910, from the Superintendent to The Southern States Mutual Life Insurance Company.

"* * * You write:

'A buys a whole life policy at age 40 in company B for $10,000 and five years later company B introduces a new whole life policy form with several new features not contained in the original, and charges at age 40 one dollar per thousand more for this new policy than it did for a policy for the same amount on the old form.

If A should now apply to company B for the cancellation of his five year old policy, and the issue of a new one in lieu thereof on the company's new form with same date of entry as the old policy, and the company should grant his request and give him the new policy on the new form at age 40, at the old rate of five years ago, would that, in your opinion, be a violation of the anti-discrimination laws of your State?'

To this my answer is yes."

Agent Must Act in Good Faith

Extract from letter dated June 16, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Co.

"My letter of April 27, 1910 * * * as well as my letter of May 27, 1910 * * * in relation to 'a change of a policy recently issued' were both based upon the assumption that such change was a mere incident of the business, not an agent's scheme to 'beat' the provisions of section 89 of the Insurance Law. If an insured person in good faith makes application to his company to increase the amount of his policy, produces satisfactory evidence that there has been no change for the worse in his physical condition, pays down the premiums on the amount of the increase for the elapsed term and the interest on such premiums, the Department would not be inclined to question such change. If, however, it be found that agents are inducing persons near their change of age to apply for a small amount of insurance upon the understanding that it may be increased at the original rate of premium after the change of age, the Department would feel called upon to take steps to put a stop to such a practice.

* * * As to the application and the length of time in which request may be made, I would advise you that section 58 of the Insurance Law permits but does not require the application to be made a part of the contract and that the length of time would be such as would be considered reasonable for reinstatement of a policy."

Good Faith of Transaction Controls

Extract from letter dated May 27, 1911, from the Superintendent to the Auditor and Ex-Officio Insurance Commissioner of West Virginia.

"Your favor of the 24th inst., in further reference to rulings on dating back policies, has been received.

In applying the rulings to which your attention has been called, the intent or the good faith of the transaction should control. A privilege offered to all applicants is not a discrimination and is not prohibited by the law."

When Antedating of Substituted Policy Not a Discrimination

Extract from letter dated May 12, 1910, from the Superintendent to the Prudential Insurance Company.

"You state:

'We have under consideration * * * the plan of issuing a new policy in lieu of the old one and dating it back for the length of time the original

policy was in force. For instance, a policy issued in the beginning of 1907, at age 30, continued in force for two years and then lapsed for one year. Application is now made for revival of the original policy and the insured is unable to pay the arrears in cash. The plan would be to issue a new policy dated back two years and as of the age of the policyholder two years ago. The effect of this would be for the policyholder to have a policy treated as in force for the length of time premiums had actually been paid on the original policy. The premium remaining the same, the amount of the policy would of course be slightly reduced on account of the age being changed to a higher age.'

I am of the opinion that your proposition would not conflict with my ruling relative to the dating back of a life insurance policy, in order to give the insured the benefit of a younger age."

No Specific Law Prohibiting Antedating

Extract from letter dated July 10, 1911, from the Superintendent to the State Insurance Commissioner of Maryland.

"Your favor of the 6th inst., relating to the dating back of a life insurance policy, was received * * *. There is no law in this State that specifically prohibits such dating back."

Agents Found Violating the Law Will be Proceeded Against

Extract from letter dated June 16, 1911, from the Superintendent to the Connecticut General Life Insurance Company.

"Your favor of the 14th inst., relating to dating back life insurance policies, has been received * * *. You will understand of course that this Department cannot undertake to inquire into the good faith of every case of dating back; but where it is found that an agent is clearly violating the law prohibiting discrimination, he will be properly proceeded against."

Department Rulings in Re Antedating of Life Insurance Policies

Extract from letter dated September 26, 1911, from the Superintendent to Frank H. Hardison, Insurance Commissioner.

"* * * There is no provision in the Insurance Law of this State which relates specifically to the dating back of a life insurance policy. A number of rulings relating to this matter have been made under those provisions of section 89 reading as follows:

'No life insurance corporation doing business in this State shall make or

permit any discrimination between individuals of the same class or of equal expectation of life, in the amount or payment or return of premiums or rates charged for policies of insurance, or in the dividends or other benefits payable thereon, or in any of the terms and conditions of the policy; nor shall any such company permit or agent thereof offer or make any contract of insurance or agreement as to such contract other than as plainly expressed in the policy issued thereon; nor shall any such company or any officer, agent, solicitor or representative thereof pay, allow or give, or offer to pay, allow or give, directly or indirectly, as inducement to any person to insure, or give, sell or purchase, or offer to give, sell or purchase as such inducement or in connection with such insurance, any stocks, bonds or other securities of any insurance company or other corporation, association or partnership, or any dividends or profits accruing thereon, or any valuable consideration or inducement whatever not specified in the policy, nor shall any person knowingly receive as such inducement, any rebate of premium or any special favor or advantage in the dividends or other benefits to accrue thereon, or any paid employment or contract for services of any kind or any valuable consideration or inducement whatever, not specified in the policy.'

These rulings are that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory, and falls within the prohibition of section 89 of the Insurance Law; that the ruling applies to all life insurance corporations doing business in this State; that the prohibitions of section 89 of the Insurance Law are not limited to the issues in this State of a life insurance corporation doing business in this State; that the law does not prohibit dating back absolutely, it does prohibit discrimination; that the ruling relating to dating back a life insurance policy in order to give the insured the benefit of a younger age does not apply to those cases of exchange of policies which occasionally occur in the regular transaction of a company's business; that if agents offer the privilege of dating back ' to every applicant,' there can be no discrimination; that where the privilege of dating back is offered to every applicant ' irrespective of whether or not it resulted in making the rated age of the applicant less than the nearest full age at the date of the application and without regard to whether the case was a competitive one or not,' in my opinion it would not be discrimination and would not fall within the prohibition of the statute; that a privilege offered to all applicants is not a discrimination and is not prohibited by the law; that this Department cannot undertake to inquire into the good faith of every case of dating back, but where it is found that an agent is clearly violating the law

prohibiting discrimination he will be proceeded against and that there is no law in this State that specifically prohibits the dating back of a life insurance policy."

Idem

Extract from letter dated April 19, 1913, from the Superintendent to M. L. Oppenheimer.

"The Department has ruled that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory and falls within the prohibition of section 89 of the Insurance Law; that the law does not prohibit dating back absolutely, it does prohibit discrimination; that a privilege offered to all applicants is not a discrimination and is not prohibited by the law; that in applying the rulings, the intent or the good faith of the transaction should control."

In Re Passage of Law Permitting Dating Back for Period of Six Months

Extract from letter dated October 3, 1911, from the Superintendent to Frank H. Hardison, Insurance Commissioner.

"You state:

'I am a little in doubt as to whether I fully comprehend how a law permitting the dating back of policies for a period of six months would operate. Perhaps you will enlighten me. For instance, a life insurance company in competition permits a policy to be dated back in order that the applicant may get the advantage of a younger age, but keeps within the six months period permitted by the law. Another applicant, where there is no competition, does not receive the lower rate of a younger age. Thus there would appear to be discrimination in fact if not in law.'

Possibly. You will of course understand that any amendment to the law providing for 'dating back' should make it obligatory in the case of any company desiring to avail itself of the amendment, that the 'privilege' be offered to every applicant, and that it should further provide that interest must be paid in all cases where policies are dated back.

The 'privilege' is one the value of which is questionable. But in certain cases there are very good reasons for dating back and it would seem better that when done it be done lawfully, under reasonable restrictions, rather than unlawfully as I fear it is being done, at the present time, in too many cases."

SUB. 4. REBATE OF PREMIUM

Mere Proposal by Agent Not a Violation

Mere proposal by agent of a life insurance company to issue policy illegal under section, not a violation which calls for action by the Superintendent.

(See Op. A. G. April 18, 1900.)

Effect of Rebate on a Life Policy

No decisions as to effect of granting a rebate upon a life insurance policy.

(See Op. A. G. Oct. 12 and Oct. 20, 1904.)

Officer of Company May Insure His Life in Company, if No Rebate Granted or Commission Paid

Extract from letter dated December 3, 1906, from the Superintendent to Lathrop E. Baldwin.

"In reply to your inquiry of the 30th ult.:

'Would it be illegal or improper for an officer of my company to insure his life in my company through my agency, he receiving no rebate, and I receiving no commission, compensation or emolument upon the business so written, I simply having the credit upon my books of having secured the risk?'

Would state that I am of the opinion that it would be neither illegal nor improper."

Payment of Brokerage to Agent on a Policy on His Own Life Prohibited

Extract from letter dated July 7, 1908, from the Superintendent to John Cowan.

"I am of the opinion that a life insurance agent cannot lawfully receive a brokerage commission on a premium on his own life insurance policy."

Payment of Commission to Agent on a Policy on His Own Life Written by Company Represented by Him, Prohibited

Extract from letter dated June 5, 1907, from the Superintendent to Mr. T. R. Fell.

"Under date of the 3d inst. you ask to be advised: 'If under the laws of this State I may pay to an agent who holds a license

from your Department and a contract with this company, a commission on a policy on his own life in this company.'

I am of the opinion that this may not lawfully be done. Neither section 89 of the Insurance Law nor section 577-k of the Penal Code (now § 1200 of the Penal Law), contains an exception in favor of agents of life insurance corporations."

Idem

Extract from letter dated May 26, 1909, from the Superintendent to Mr. Charles F. Adams.

"In your favor of the 25th instant you ask to be advised 'as to whether or not an agent is allowed commissions on his own policy.'

In my opinion such an allowance would be a violation of the provisions of section 89 of the Insurance Law."

Idem

Extract from letter dated August 3, 1909, from the Superintendent to Mr. M. Shayeson.

"I am of the opinion that a life insurance agent cannot lawfully receive a commission on a premium on a policy of insurance on his own life; neither section 89 of the Insurance Law nor section 1200 of the Penal Law contains an exception in favor of agents of life insurance corporations."

A Commission May be Paid to Bona Fide Agent on a Policy on His Own Life Written by Company Represented by Him

Extract from a letter dated November 22, 1909, from the Superintendent to the New York Life Insurance Company.

Previous rulings reversed.

"* * * I feel that I can safely reach the above conclusion for the reason that since amended section 91 went into effect in May last, absolute discretion is vested in the Superintendent to reject all applications for life agents' certificates and that through such discretion any tendencies in the direction of appointing agents merely that insurance prospects may secure rebates can be checked."

Payment of Commission to Agent on a Policy on His Own Life Written by Company Not Represented by Him, Prohibited

Extract from letter dated July 8, 1913, from the Superintendent to Gilbert Tool.

"You ask:

'Will you kindly advise me as to whether I can accept commission on a life insurance policy on my own life which is written by a company which I do not represent.'

I would advise you that you can not do so lawfully."

Broker May Not be Paid Commission on Insurance Covering Himself (Accident or Health Insurance) or Property Belonging to Him

Extract from letter dated September 20, 1911, from the Superintendent to the United States Casualty Company.

"This is in acknowledgment of your favor of the 15th inst., in which you ask if a commission can lawfully be paid on accident or health insurance issued to such broker where the broker places other business for the company.

The Department is of the opinion that under the so-called 'Anti-rebate Law' a commission cannot lawfully be paid to any person upon business representing insurance covering either himself (accident or health insurance) or property belonging to him."

Agent or Broker May Receive Commissions on His Own Health and Accident Policy

Ruling of Department Counsel, dated October 19, 1912.

"In reply to your letter of the 13th inst., you are advised that the ruling of my predecessor, with reference to the payment to an agent or broker of commissions on policies which he may write covering himself or his own property, has been reversed, as it is my opinion that section 65 of the Insurance Law does not prohibit the payment of a commission to a bona fide insurance agent or broker on insurance placed by himself, on himself (health and accident insurance) or on property actually owned by him.

This ruling presupposes absolute good faith on the part of both

the agent or broker and the company, and in the absence of such good faith, as for instance should an agency contract be made or an oral arrangement entered into for the purpose of accomplishing a rebate to a person who is not a bona fide agent or broker, that is, one who does not, in good faith, intend to act as an insurance solicitor, the ruling would not apply.

Firm of Brokers May Place Life Insurance on Member Who is Entitled to Share in the Commission as a General Firm Profit

Extract from letter dated January 2, 1912, from the Superintendent to Charles H. Voorhees.

"* * * You ask:

'Is it legal for a firm of brokers in real estate and general insurance, both in fire and life, to write or rather place life insurance in behalf of a member of the firm, and accepting as a firm the commission paid by the life insurance company issuing the policy, my point being, can it in any way be construed as illegal for the insured partner to participate in the general firm profits as called for by partnership agreement, the commission above mentioned being included in the same?'

To your first question my answer is yes; to the second no."

Corporation May Accept Commissions Earned by Members

Extract from letter dated July 1, 1913, from the Superintendent to The Queensboro Corporation.

In reply to your favor of the 13th ult., would state that if the contracts of the members of your corporation with the corporation provide for the turning in of commissions on life business produced, I can see no reason why the commissions on such business should not be turned over to such corporation, provided, however, that this would not apply to business written on the life of any member of the corporation.

Renewal Commission to Advisory Board Not a Rebate

Life insurance company may pay special renewal commission to advisory board securing new policyholders.

(See Op. A. G. August 11, 1900.)

Payments of Commissions to Sub-Agents for Purposes of Remitting Cost of Insurance, a Rebate

Extracts from letters dated July 29 and August 4, 1908, from the Superintendent of Insurance to the John Hancock Mutual Life Insurance Company.

"Your favor of the 24th inst. relating to 'a proposition from an 'Exchange' through one of our (your) general agents to reinsure for it the members of the Exchange who are acceptable to the company' was received by due course of mail.

Referring to a certain fund belonging to the Exchange you state:

'There are several sources by which this fund is to be augmented and one source proposed was the sub-agent's commission which our general agent was to allow a paid member of the Exchange, he acting under a proper license from the Department, who in turn proposed to pay the amount of his commissions to the Exchange.'

I am of the opinion that the payment of commissions to these so-called 'sub-agents' may not lawfully be done. Neither section 89 of the Insurance Law nor section 577-k of the Penal Code contains an exception in favor of 'sub-agents' of life insurance corporations. * * *.

The question whether the 'sub-agent' is or is not a member of the 'Exchange' is not material. The payment to the 'Exchange' by the one acting as 'sub-agent' would, in my opinion, be considered as a rebate within the meaning of the New York law."

"Board Contracts" are Prohibited

Extract from letter dated November 6, 1908, from the Attorney-General to the Superintendent of Insurance.

"Your letter of October 10th was duly received, in which you request an opinion as to whether so-called 'special contracts,' frequently described as 'board contracts,' are prohibited by section 89 of the Insurance Law, as amended by chapter 326 of the Laws of 1906. In my opinion contracts so described would come within the prohibitions of the section as it now stands."

Note Without Legal Interest Charge Accepted for Premium Equivalent to Rebate

Extract from letter dated May 28, 1909, from the Superintendent to Mr. Rudolph Bohm.

"Without passing upon the propriety of an agent accepting a note when he is expected to receive cash in payment of a life in-

surance premium, I agree with you 'that a note accepted in payment of a life insurance policy without the legal interest charge is equivalent to a rebate.'"

Employment of a Person for the Bona Fide Purpose of Procuring Prospects Not Within the Prohibition of the Section

Extract from letter dated January 4, 1910, from the Superintendent to the Mutual Life Insurance Company of New York.

"I am in receipt of your favor * * * with enclosures reading as follows:

'Dear Sir: In arranging my business for the coming year, I have concluded to make you a special proposition and ask if you would be willing to act as a confidential helper to me, in securing business in your section. You as a banker are in a position to know the financial standing, etc., and to suggest names of those who might possibly be interested in a nice life insurance policy. I will do all the work in closing the business and allow you a nice commission on each case I close * * *.'

In reply to your inquiry, I would advise you that the employment by you of a person for the bona fide purpose of procuring prospects would not in itself be a violation of section 89 of the Insurance Law."

Gifts to Prospective Policyholders Prohibited

Extract from letter dated June 30, 1910, from the Superintendent to Michael E. Pue.

"You ask the following questions:

'(a) Is it lawful for a life insurance agent to sell a policy of life insurance to a person at the rate stipulated by the company and to collect the entire premium and, in addition, to give, without cost, a building lot valued at $50? (b) Suppose that instead of giving the lot to the applicant, a nominal charge of $1 was made, although the lot would not be sold to anyone not taking insurance for less than $50. Would this transaction be unlawful?'

I am of the opinion that such a transaction as is described in either of your questions would be a violation of section 89 of the Insurance Law."

Agreement by Agent to Pay Church Debt if Members Will Take Out Insurance, Within the Prohibition of the Section

Extract from letter dated October 24, 1910, from the Superintendent to The Connecticut Mutual Life Insurance Company.

"* * * You ask for 'information regarding whether it would be lawful for a duly authorized insurance agent to send

circular letters to members of a church congregation and solicit the members for insurance, making a special plea to them that if they will place insurance in this agent's company, said agent will agree to turn over a part or all of his commission to the treasurer of the church, for the purpose of reducing the outstanding church debt.'

I am of the opinion that your proposed action would be a violation of the spirit if not the letter of section 89 of the Insurance Law."

Agent May Not Buy Stock of Insured's Corporation in Consideration of His Taking Out a Life Policy

Extract from letter dated October 14, 1911, from the Superintendent to the Connecticut Mutual Life Insurance Company.

"* * * You write as follows:

'In your opinion, would the following fall within the meaning of section 1191 of the Penal Code: An agent agrees to buy a quantity of stock of the insured's corporation, in consideration of his taking out a policy of life insurance?'

It would appear that this would fall within the prohibition of sub. 3 of section 1191 of the Penal Code of this State."

Reduction in Premium Rate, Given to All Applicants, Not a Rebate

Extract from letter dated May 9, 1911, from the Superintendent to John C. Crittenden, of Erie, Penn.

"* * * A reduction in the rate of premium charged by a company is not a rebate so long as it applies to all applicants for insurance. The prohibition of section 89 of the Insurance Law is against discrimination."

A Reduction of Premium Guaranteed in Policy Contracts Does Not Constitute a Rebate

Extract from letter dated December 9, 1911, from the Superintendent to Hon. John L. Bleakly, Auditor of State.

"Your favors of the 2d and 5th inst., with enclosed 'Illustration of premium reductions' used by the Postal Life Insurance Company of New York, have been received.

This Department does not regard the circular in question as a violation of section 89 of the Insurance Law of this State. The reductions of premiums are guaranteed in the policy contracts of the company, which have been approved by the Superintendent; they are not 'rebates' in the offensive sense of the word as used in section 89."

Life Company Which Does Business Direct with Policyholders Through the Mail May Provide in Contract for Reduction of Premiums

Extract from letter dated December 18, 1911, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"Your favor of the 15th inst. with enclosure relating to the Postal Life Insurance Company, has been received.

The Postal Life does business directly with its policyholders through the mail. It has no agents and pays no commissions; its premiums are reduced by an amount that would be payable to an agent if it did business on the old plan.

The reductions are made part of the policy contract which has been approved by this Department as being in accord with our law."

Agent May Pay First Year's Premium and Take Note of Insured for Amount Advanced

Extract from letter dated March 15, 1912, from the Superintendent to N. H. Weed, Editor Life Insurance Independent.

"* * * You ask:

'Is it, in the opinion of the Department, unlawful for a life insurance agent, in writing a new policy, to advance and pay to the insuring company out of his own funds the full first year premium when he delivers the policy to the insured, taking in exchange therefor the three months note of the insured to the agent individually for the full amount so advanced and interest thereon, the same being done in good faith and without any qualifying agreement or understanding and with the actual and real purpose of the agent to enforce and of the insured to pay the full amount of said note and interest at maturity?'

It is not."

Annual Premium Policies May Not be Paid for in Monthly Installments

Extract from letter dated September 25, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"Your letter of the 23rd inst. has been received, and the proposition therein set forth has been carefully considered. As the Department understands the proposition, it is briefly this: A certain firm having offices in your city will apply for insurance upon the lives of three of its employees, such insurance to be for the benefit of the firm; the policy or policies to be written upon the annual premium rate, but the firm wishes to pay the premium in equal monthly installments until the full amount of the annual premium has been paid. The company which solicits this insurance declines to accept payment of premiums except upon the annual, semi-annual or quarterly basis, and it will not accept notes for any part of the premium. You wish to be advised whether an agent offering to take this business on the basis mentioned would violate any law of the State of New York.

If it be assumed that the above statement of the proposed course of business is correct, it is considered that it would be in violation of the provisions of sections 55, 58 and 89 of the New York Insurance Law."

Distribution of 25-cent Coupons Constitutes a Rebate

Extract from Opinion of Department Counsel dated November 18, 1912.

"The distribution of 25-cent coupons receivable on account of premiums for sick and accident policies to patrons of moving picture shows, constitutes a rebate and discrimination."

"Group Insurance" and "Rebates" Distinguished

Extract from letter dated December 6, 1912, from the Superintendent to the Connecticut General Life Insurance Company.

"You write as follows:

'We have recently had proposed to us by our Syracuse Agent the insuring of the employees of the Syracuse Trust Company, some twelve or fourteen in number, under a plan by which the Company would pay the premiums and employees would have to take the insurance subject to evidence of good health

but at a reduced rate. * * * Under an agreement whereby all the employees of the Trust Company must be insured would you look upon the offering of a lower premium as in the nature of a rebate or as in the nature of group insurance?'

Under the circumstances stated I would look upon the offering of a lower premium as in the nature of group insurance."

(See also § 141.)

Agent May Refund First Premium as a Gift

Extract from letter dated February 18, 1913, from the Superintendent to the Provident Life and Trust Company.

"Referring to your favor of the 12th inst. * * * I would state that the intent of section 89 of the Insurance Law is to prevent 'any discrimination between individuals of the same class or of equal expectation of life, in the amount or payment or return of premiums or rates charged for policies of insurance, or in the dividends or other benefits payable thereon, or in any of the terms and conditions of the policy.'

The prohibitions of the section relate to special favors or advantages offered as inducement to any person to insure.

As I understand your letter, you do not propose to refund to Father Burns the amount of the first premium as an inducement to insure. I do not think that the law should be construed to forbid you or any other man from making a present, as a pure matter of friendship, out of moneys belonging to you."

Circular Letter of March 10, 1913, *in re Giving of Rebates*

"There have been a number of complaints made to this Department with respect to rebating and offers of rebate in this State. The Department is most anxious to do everything in its power to stamp out this evil, and trusts that your company feels the same way with respect to this question. It is as much a violation of the law of this State to offer a rebate as it is to give a rebate, and we desire that this fact be impressed upon the agents of the various life insurance companies operating in this State.

I desire, therefore, that your company take such action as you may think best to impress upon your agents the above facts, and notify them that, if they desire to continue business in this State, they must neither give, nor offer to give, a rebate."

Consideration Must be Expressed in Policy Contract

Extract from letter dated April 15, 1913, from the Superintendent to the Travelers Insurance Company.

"In reply to your favor of the 10th inst., I would state that the Rebate Law of this State prohibits any agent, solicitor or representative of an insurance company to pay, allow, or give, or offer to pay, allow or give, directly or indirectly any valuable consideration or inducement whatever not specified in the policy. In the case you mention, if the agent desires any such transaction to be legal, it must be written in the policy contract."

Giving of Tickets or Chances Upon a Building Lot to Purchasers of Insurance Constitutes a Rebate and Discrimination

Extract from letter dated June 24, 1913, from the Superintendent to the Niagara Fire Insurance Company.

"Your favor of the 17th inst., enclosing an advertisement by Willis-Buckle Company of a plan involving the giving of tickets or chances upon a building lot to purchasers of insurance, and asking whether such plan constitutes a violation of law, was received by due course of mail.

The plan as outlined in the advertisement, in my opinion, is a violation of sections 65 and 89 of the Insurance Law of this State, and of sections 1191 and 1200 of the Penal Law, all relating to rebates, and of section 1373 and others of the Penal Law relating to lotteries."

SUB. 6. ONE YEAR TERM PREMIUM

Renewable Term Rates May be Used for Non-Renewable Term Insurance on Impaired Lives

Extract from letter dated May 20, 1907, from the Superintendent to The Washington Life Insurance Company.

"The renewable clause in a term policy is optional with the company issuing the contract and it may be ruled out from your regular form when you desire to withhold the privilege.

You state that you have certain rates for renewable terms, and ask:

'In your opinion, would discrimination contrary to law be made if these rates were used for non-renewable term insurance where the lives were not up to the same standard as to hazard as the lives contemplated in making these rates for renewable term insurance?'

In my opinion, this would not be discrimination within the meaning of the law, provided there be no question as to the sufficiency of the rates."

Section 91 — Business to be Accepted from Licensed Agents Only; Agent's Certificate of Authority

SUB. 1. APPLICATION OF SECTION

When Certificates are Required of Agents Employed by Industrial Companies

Agents procuring insurance upon ordinary life plan although employed by industrial or prudential companies, must procure agent's certificate of authority.

(See Op. A. G. July 13, 1897.)

Certificates Required of Agents of Life Club on Neighborhood Plan

Agents of life insurance club on neighborhood plan must procure certificates of authority.

(See Op. A. G. March 10, 1904.)

Field Canvassers and Office Help Obtaining Birthdays and Insurance Information Must be Licensed Agents

Extract from letter dated June 23, 1909, from the Superintendent to Mr. John R. D. Bristol.

"For your Mr. Rudolph Recht you make the following inquiries:

'*Inquiry* 1. Can I, or any other agent of this company (without first obtaining an agency license and company contract), under the present State laws and company contract relations, employ one or more men whose specific duties shall be to canvass the field for birthdays and insurance information, such employees to receive a stipulated salary, which salary is not to be affected by the amount of business closed through the information obtained through the employee's efforts, the employee having absolutely no commission interest in any business which may be obtained as a result of the information he brought into the office?'

'*Inquiry* 2. I, as well as other agents am employing office help to whom is being paid a specific salary for the office duties they are required to do. Could these men, from time to time, be detailed to cover an office route list, not to solicit life insurance but to obtain birthdays and insurance information where possible, represent themselves as being sent for this information by their employer and such employees to receive absolutely no compensation for this work other than their regular salary which they are getting for the office duties they are performing and not to be in any way interested in any business which may be written resulting from information which they might procure? Can an agent so employ an office help without obtaining a State insurance license and also without making an agency contract? If the making of an agency contract would be imperative, how can I make a contract with an office employee whose compensation is for office work and who is to receive absolutely no recompense on amount of insurance written as a result of information obtained by him?'

I am of the opinion that men employed as is proposed above must be licensed agents."

Applications for Annuities May be Accepted from Person Not Licensed Provided no Commission be Allowed

Extract from letter dated July 23, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"In your favor of the 22d inst., just received, you write as follows:

'In your opinion does section 91 apply to annuities? Applications for annuities frequently come from lawyers, brokers, and others who are not life insurance agents. It is natural for those in charge of estates to advise annuities for certain classes of people. Can we not issue these without the services of a licensed agent?'

To this my answer is yes, provided no commission be allowed for the consideration received."

Companies Doing an Annuity Business May Employ Non-Licensed Persons as Life Insurance Agents

Extract from letter dated March 7, 1912, from the Superintendent to Alfred Hurrell, Counsel Association of Life Insurance Presidents.

"I am in receipt of your letter of the 5th inst. in relation to the right of companies, authorized by their charter to do an annuity business, to receive such business from persons who are not licensed by the Insurance Department as life insurance agents,

and to pay such persons compensation or commission for securing such business.

You ask the question, for a ruling thereon, whether there is any prohibition in the Insurance Law against an insurance company or other corporation authorized to do an annuity business from paying commissions or compensation for such business to persons not licensed as aforesaid.

In answer thereto, I beg to say that there is, in the opinion of the Department, no such prohibition in the Insurance Law."

Unauthorized Company May Place Insurance on Life of Citizen Provided Contract is Made Direct with Company

Extract from letter dated September 21, 1911, from the Superintendent to the Puritan Life Insurance Company.

"* * * You write:

'We have received this date a letter from a party in Brooklyn, N. Y., requesting a policy for $5,000 on the twenty payment life plan in the Puritan Life Insurance Company with the request that the application be placed through a Mr. Schoenfeld, an insurance broker located in Jersey City, N. J.

We appreciate, of course, that we are not at the present time operating in the State of New York and desire to comply entirely with the rulings in such cases.

We are of the opinion that we would have the right to issue a policy to an applicant who applies to us through the mail without solicitation on our part. In our desire, however, to fully comply with the law we would appreciate your opinion on the matter before proceeding further.'

It would appear from the above that the proposed transaction contemplates the placing of insurance on the life of a citizen of this State by an unauthorized company, through an intermediary located in another State and not subject to the laws of this State; this would be in effect a violation of our laws.

If the transaction was one initiated and to be carried out between your home office and the insured, no outside party participating, it would in my opinion be perfectly allowable."

Actuary Acting as Advisor Must Have Agent's Certificate

Extract from letter dated October 1, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You state:

'I have in contemplation the employing of an actuary, in connection with this office, upon a stipulated weekly salary. It is my desire to use him also

in interviewing prominent men, after an appointment has been made, to go over the subject and advise them in every way they may desire. Under no circumstances is he to solicit or take an application, and he is to confine his work to that of an advisor.'

I am of the opinion that a person so employed should have an agent's certificate of authority."

Corporation May Not be Licensed as a Life Agent

Extract from letter dated May 12, 1913, from the Superintendent to J. B. Fellheimer.

" This acknowledges your letter of the 10th inst., with reference to the organization of an agency corporation for the purpose of writing life and accident insurance.

In reply you are advised that life agents' certificates of authority are not issued to corporations under section 91 of the Insurance Law. Therefore, if such a corporation as you contemplate organizing were formed, it would be impossible for the corporation itself to obtain a life agent's certificate of authority from this Department.

Under section 142 of the Insurance Law, which relates to the licensing of agents, it would be possible for a corporation to obtain an agent's certificate of authority to represent companies writing health and accident insurance.

We know of no law which would prevent the organization of a corporation for the purpose of acting as the agent for authorized insurance companies."

Partnership May Not be Licensed as a Life Agent

Extract from letter dated June 18, 1913, from the Superintendent to the Mutual Benefit Life Insurance Company.

" We are enclosing herewith an application, filed in this Department this day. This is executed by Andrew J. Corsa & Son. We do not issue certificates of authority to copartnerships for life agents. Therefore, it will be necessary for each one of the persons composing this firm to make an individual application to this Department."

SUB. 2. SHARING COMMISSIONS

Licensed Agent May Not Share Commissions with Nonresident Agent who Does Not Hold a License

Extract from letter dated Oct. 25, 1911, from the Superintendent to the Pennsylvania Mutual Life Insurance Company.

"* * * You write:

'Kindly advise us at your early convenience whether a duly licensed agent of this company, resident in the State of New York, may pay to one of this company's agents, resident in another State and who is without a New York license, a commission upon a risk which the latter may turn over to the former for closing?'

Section 91 of the Insurance Law provides that:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.

Licensed Subagent May Not Share Commissions on Business Secured in the State with Unlicensed Manager

Extract from letter dated February 17, 1912, from the Superintendent to the Equitable Life Assurance Society of the United States.

"* * * You write:

'Section 91 of the Insurance Law reads in part as follows:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.

'Any person or corporation violating the provisions of this section shall forfeit to the State the sum of five hundred dollars.'

Kindly advise me whether the society would be violating the above law by paying a commission to a manager who does not hold a New York life agent's certificate of authority, on account of business secured in this State by a sub-agent of such a manager, provided that the said sub-agent holds a life certificate issued by you authorizing him to solicit insurance for this society; and provided further, that the said manager did not participate in any way in securing the application for insurance.'"

In my opinion the payment by the society of a commission on account of business secured in this State, to a manager who does not hold a New York life agent's certificate of authority, and who did not participate in any way in securing the application for insurance, would be a violation of the above law."

Licensed Agent May Not Share Commissions with Nonresident Agent who Aids in Procuring Insurance, Unless Such Agent Holds a Certificate of Authority

Extract from letter dated June 11, 1912, from the Superintendent to the Mutual Benefit Life Insurance Company.

"* * * You state:

'One of our agents in Minnesota solicited a man, who afterwards moved to Syracuse, and wrote to us to follow the case up. One of our regularly licensed agents solicited this man, and finally wrote his application. He handled the matter completely and entirely, but feels that the agent in Minnesota who formerly worked on the case, is entitled to part of the commission. Under the circumstances does your Department rule that the man in Minnesota should have a license to receive part of the commission, he not appearing in the present transaction in any way?'

Section 91 of the Insurance Law of this State provides:

'No life insurance corporation doing business within this State, or agent thereof, shall pay any commission or other compensation to any person for services in obtaining new insurance, unless such person shall have first procured from the Superintendent of Insurance a certificate of authority to act as an agent of such company as hereinafter provided.'"

New York Agent May Not Share Commissions With Nonlicensed Foreign Agent Procuring Prospects

Extract from letter dated November 25, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You state:

'A question has risen in connection with section 91 of the New York Insurance Law as follows:

Is an agent of this company in another state required to be licensed in New York in order to receive a commission on a policy issued through a regular agent of this company in New York and duly licensed as such in a case wherein the outside agent writes the New York agent giving him the name of a prospect and the regular New York agent writes the application and delivers the insurance?'

In my opinion the payment of commission as recited would be a violation of the prohibition of section 91 of the Insurance Law.

SUB. 3. AGENTS' APPLICATIONS FOR CERTIFICATES OF AUTHORITY

Rulings of the Superintendent dated May 17, 1909, on the law which became operative May 7, 1909.

"*First.* These applications must be signed by the proposed agent and countersigned by the company he is to represent.

Second. Agents representing more than one company must file a separate application for each company to be represented, such application to be approved and countersigned by such company. There is no provision in the Insurance Law recognizing a general license authorizing the holder thereof to represent several life companies.

Third. The new regulations apply to all agents for life insurance companies, whether such companies be New York companies or companies organized under the laws of other states or countries.

Fourth. The power given the Superintendent to refuse to issue certificates of authority will be exercised in all cases where answers are unsatisfactory.

Fifth. Agents appointed on company applications filed on or before May 6th, will not be required to apply under the new law until January 1, 1910, they being authorized agents under the old law until that date."

(See § 49 "Agents.")

Superintendent Has Discretionary Power to Issue or Refuse License to Agent

Extract from Opinion of Department Counsel, dated April 18, 1910.

"Under section 91 of the Insurance Law, you have the discretion to issue or refuse to issue a license. The law was moulded in its present form apparently with the express purpose of giving the Superintendent the opportunity to use his discretion for the betterment of the so-called field conditions of life insurance. * * * Having given you a wide discretion in the right to grant or refuse to grant a license, it would seem that the law does not require you to test every question presented concerning a man by the cold rules of evidence."

(See letter dated Nov. 22, 1909, from the Superintendent to the New York Life Insurance Company, § 89, sub. 4.)

(See also §§ 49 and 50.)

SUB. 4. FORM OF APPLICATION FOR AGENT'S CERTIFICATE OF AUTHORITY UNDER THE LAW WHICH BECAME OPERATIVE MAY 7, 1909

Authorized by the Superintendent May 12, 1909

Read section 91 of the Insurance Law as amended May 7, 1909, on reverse side of this application.

STATE OF NEW YORK — INSURANCE DEPARTMENT

Application for Agent's Certificate of Authority

BY

Name: .....

* Business address: .....

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State. (If a non-resident, fill in this line also; see footnote.)

.....

STREET AND NUMBER RESIDENCE COUNTY

Residence address: .....

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State.

Company you desire to represent: .....

Are you to act as Soliciting Agent, or Managing or General Agent? .....

Present occupation: .....

(Give full details.)

.....

What other or further occupation have you been engaged in during past twelve months? .....

Has your license ever been refused, suspended or revoked by the Insurance Department of this or any other State? .....

If so, give particulars .....

Do you intend to devote your time wholly to soliciting life insurance? .....

What business other than life insurance, if any, do you intend to carry on? .....

What previous experience have you had in the life insurance business? .....

Does any company or agency with whom you have previously been engaged claim any

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* A non-resident applicant must insert at "Business address" (a) home business address, and (b) a business address in this State indicating the county in this State in which he has an office for the transaction of business. Thus, a non-resident may show *two* business addresses: he *must* show one business address in this State.

The Department requires that there shall accompany each application for an Agent's Certificate of Authority evidence that the company or its representative has investigated the qualification of the applicant to act as their agent. A written report of such investigation, giving the facts as to the character and experience of the applicant, countersigned by the officer who approves the application, must be attached hereto.

unpaid balance against you for any cause whatever?.....If so, state particulars .....

.....

If a soliciting agent, give approximate amount of insurance, or number of policies, if any, written by you and paid for during past twelve months.....

For what Companies?.....

This application is made for the purpose of procuring a Certificate of Authority from the Superintendent of Insurance of the State of New York to act as an agent of the.....; and I warrant the answers and statements above made to be full, complete and true.

.....

(Signature of person desiring certificate.)

Witness:

.....

This application is approved, and we request that the Certificate of Authority asked for be granted.

.....Company

By.....

Section 92 — No Forfeiture of Policy Without Notice

Company May Not Omit the "Grace Clause" in Policies on the Monthly Payment Plan; "Industrial Insurance" Defined

(See letter dated May 9, 1907, from the Superintendent to the Washington Life Insurance Company, quoting letter from Haley Fiske to the Superintendent, § 101 (old), sub. A. 2.)

Assignment of Policy Effective Between the Parties Without Notice to Company

Ruling of August 9, 1909.

"The statement (in a life insurance policy) that no assignment shall *take effect* until written notice thereof shall be given to the company, is not proper. An assignment of a policy of life insurance, when made in regular form by the proper party and for a sufficient consideration will 'take effect' as between the parties to such assignment, whether or not written notice of the assignment be given to the insuring company. The form which is in common

use seems to be better. This provides as follows: 'No assignment of this policy shall be *binding upon the company* unless the original assignment or a duplicate thereof be filed at its home office.'"

Waiver of Lapse or Forfeiture Provisions in Application Void

(See Ruling of August 7, 1909, § 88, sub. 18.)

Attempt to Limit Time for Action on a Policy to One Year Prohibited

Ruling of August 3, 1909.

"The attempt to limit to one year the time for commencing an action on the policy contract cannot be approved. Section 92 of the Insurance Law provides that on a *forfeited policy* an action may be instituted within *two years* from the day upon which default was made in paying the premium, etc. * * * In the case of an insurance policy, which matures as a death claim, or as an endowment, it seems that the ordinary limitation established by the Code of Civil Procedure should apply."

Section 94 — Election of Directors

How Copies of Lists of Policyholders May be Obtained

Extract from letter of April 12, 1909, from the Superintendent of Insurance to Mr. Sol Rosenblatt.

"The Superintendent has made the following ruling in regard to obtaining copies of lists of policyholders on file in the Department:

'Lists of policyholders on file shall be subject to inspection and copy by any policyholder, or by his authorized representative, at any time during business hours. A policyholder appearing in person must present his policy, his last receipt for premiums paid and satisfactory proof of his identity. A policyholder designating a representative to inspect or copy from a list on file in the Department will be privileged to appear by only one representative at a time. This representative must produce a written designation conferring authority in each instance, stating the name of the company insured in, the number of the policy, the date to which premium has been paid, and name of the appointee; the designation must be duly signed by such policyholder and acknowledged by him before a notary public.'"

Form of Authorization

TO WHOM IT MAY CONCERN:

BE IT KNOWN that in accordance with paragraph 5 of Section 94 of the New York Insurance Laws, and with the regulations prescribed by the Superintendent of Insurance thereunder, I hereby designate, empower, authorize and appoint ..... as my representative to inspect and copy the lists of ..... Life Insurance Company of ..... during the time they are on file, as provided by law.

I further certify that I am insured in the said ..... Life Insurance Company of..... by Policy No. ..... upon which the premium has been paid to ..... and that I reside in .....

.....(SEAL)

STATE OF .....
COUNTY OF ..... } *ss:*

BEFORE the undersigned, a notary public, in and for said county and state, personally appeared ..... personally known to me to be the same person whose name is signed to the foregoing instrument, and acknowledged that he executed and delivered the same as his free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto affixed my notarial hand and seal this..... day of ..... A. D. 19...

.....

Notary Public.

Company May File Corrected Copies of Last Year's Lists of Policyholders with Supplement Containing Business for 1910

Extract from letter dated March 27, 1911, from the Superintendent to the Germania Life Insurance Company.

"* * * You state that:

'The removal of our offices to the new building at Union Square and East Seventeenth Street will interfere to a considerable extent with the daily routine work and it would, therefore, be a great convenience to us if we could be allowed to file our lists of last year with a supplement containing the business of 1910. And inasmuch as independent nominations for directors of this company have not been made in the past and are not likely to be made in the future, we hereby take the liberty of asking whether the filing of the lists of European policyholders could not be dispensed with and the time and cost of preparing such lists be thus saved to our Berlin office.'

I would advise you that filing corrected copies of last year's lists of policyholders in the home department with a supplement containing the business of that department for 1910, will be considered a practical compliance with the law. In the event of the nomination of an opposition ticket this ruling will not hold good.

Lists of Policyholders in Life Companies Not Subject to Copying for Private Use

Extract from letter dated June 7, 1912, from the Superintendent to Benedict M. Holden.

"I am in receipt of your letter of the 5th inst. enclosing a letter of introduction from Hon. Theodore H. Macdonald, ex-Insurance Commissioner of the State of Connecticut.

You state in your letter that, under the laws of the State of New York, insurance companies are obliged to file in this Department lists containing the names of policyholders who have the right to vote for trustees, etc., and you ask whether, if you should send a clerk here to Albany with a stenographer, you might secure the names of the policyholders in the New York companies.

It is true that the lists of policyholders are temporarily in the possession of this Department in connection with the election of directors, but they are sent here solely for use in that connection, and they have never been given to the public by the Department. It has been felt that, if public access to these lists were permitted, they might be utilized by persons who had in mind other objects than those for which the lists were filed here. This would not be fair to the companies nor to the individual policyholders. I must, therefore, answer your inquiry as to the possibility of having these lists copied for private use in the negative."

Inspectors of Election Must be Designated by Superintendent

Inspectors for the election of directors of a domestic life insurance company should be designated by the Superintendent.

(See Op. A. G. Dec. 10, 1906.)

Nominations of Directors Must be Filed with Superintendent

Name of candidate for director must be filed with Superintendent as having been nominated for that office.

(See Op. A. G. May 22, 1908.)

Effect of Section on Stockholders

Section 94 applies to stock companies in which policyholders, either in whole or in part, are given the right to vote for directors,

ut does not preclude stockholders from voting upon their stock in ,ccordance with the Stock Corporation Law; a stockholder cannot also vote as a policyholder.

(See Op. A. G. Dec. 21, 1906.)

1907 *Amendments Not Applicable to Elections of Stock Companies*

Chapter 623, Laws of 1907, extending periods within which nominations might be made, does not apply to the elections of stock life insurance companies held in 1907, but such elections may be held in accordance with the provisions of the section prior to amendment.

(See Op. A. G., Aug. 30, 1907.)

Effect of Amendment of 1907 *on Stock Companies*

All proceedings of stock insurance corporations after July 19, 1907, are to be governed by amendment to section 94 [chap. 623, L. 1907], in effect on that day, so far as the same can be applied without taking away the right to file nominations and hold elections.

(See Op. A. G., Sept. 10, 1907.)

When Policyholders May Not Participate in Election of Directors

The amendment to the charter of the Equitable Life Assurance Society providing for the election of twenty-eight of its fifty-two directors by the policyholders of said company and excluding the stockholders from participation in such election being illegal and void, the policyholders of such company have no right under present conditions to participate in the election of directors.

(See Op. A. G., May 4, 1911.)

Proxy Only Covers Directors Named in Nomination Certificate

Extract from letter dated September 27, 1912, from the Superintendent to L. M. Merchant.

In reply to your favor of the 26th inst. I beg to state that as I read the nomination certificate forwarded by you, in the matter of the Security Mutual Life Insurance Company of Binghamton,

N. Y., that the three persons designated therein are designated for the particular purpose of receiving proxies, which proxies are to be voted for in support of the persons nominated for directors in said nomination certificates and for no other purpose. It does not appear that any one of the three persons designated to receive the proxies could properly vote for anyone for director other than those named by the policyholder signing the nomination certificate.

Proxy Must be Executed Within Three Months Prior to Election

Extract from letter dated October 29, 1912, from the Superintendent to the Security Mutual Life Insurance Company.

"You write as follows:

Subdivision 12 of section 94 of the Insurance Law provides: 'At least three months prior to any such election, the corporation shall cause to be mailed . . . a serially numbered official ballot in a form approved by the Superintendent. . . . The respective tickets nominated, etc.' Subdivision 16 provides: 'A policyholder desiring to vote by mail must indicate the name of the nominee, etc. . . . and must sign the said official ballot in his own handwriting, etc.' Subdivision 17 provides: 'Such policyholder must enclose the official ballot so marked in such return envelope or in a similarly inscribed envelope,' etc.

Subdivision 18 provides: 'Any policyholder may vote by proxy. . . . A proxy shall not be valid unless executed within three months prior to the election, etc. Under the foregoing provisions of the statute, it would appear that the time of mailing by the company to the policyholders of the official ballot, is not specified, except that it must be "at least three months prior to such election." The next election of this company occurs on the 4th day of February, 1913, so that according to our understanding of the law, and as we are advised by counsel, such official ballots may be mailed at any time between now and not later than November 4, 1912. As the statute is entirely silent, the policyholder would seem to have a right to vote the official ballot by mail at any time after he receives the same. A proxy, however, to be valid, must be executed on or after November 5, 1912, in order to be voted at the approaching election. If our understanding of the law is not correct, please advise.'

My understanding of the above-quoted provisions of subdivision 18 agrees with yours."

Vacancies in Administration Ticket; How Filled

Extract from letter dated April 15, 1913, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor of the 12th inst., relating to the filling of certain vacancies in your Board of Directors has been received. You state:

'Two of the nominees whose names are on the administration ticket (filed with the Department in accordance with the law) resigned as directors within five months prior to the approaching election. They have both stated that if elected in May they will not serve and will write a letter to that effect, if desired. Their names being still on the administration ticket filed with you, it would seem that there is no other course but to leave their names on the ticket.'

From this statement it would appear that two of the nominations for your administration ticket have been voided within five months prior to the approaching election by the declination of the nominees to act as directors. This being so, I am of the opinion that the vacancies so caused may be filled by action of the directors elected at the election in question. I would suggest that this action be later ratified by the entire board."

Section 96 — Limitation of New Business

Section 96 refers to limitation of new business by domestic life insurance companies only.

(Ins. Dept. rulings, Dec. 5, 1906. Section since amended.)

Meaning of "Issued" as Used in This Section

Extract from letter dated July 23, 1909, from the Superintendent to the New York Life Insurance Company.

"The Department understands that the meaning of the word 'issue' in section 96 is that only policies which have actually been paid for and of which the company writing them has received advices, so as to make proper entries on its books on or before December 31st in any given year, should be considered in estimating the gross amount of new business 'issued' in that year; that is, always granting that such company has, in good faith, used all reasonable diligence to secure such advices and make such entries."

Annuity Contracts of Any Form Not Within Provisions of Section

Extract from letter dated August 2, 1909, from the Superintendent to the New York Life Insurance Company.

"I would advise you that in my opinion annuity contracts, whether they are survivorship annuities or not, do not come within

the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

The Words "Policies of Reinsurance" in Section 96 Cover Cases of Assumption by One Company of the Policies of Another

Extract from letter dated November 9, 1911, from the Superintendent to the Metropolitan Life Insurance Company.

"Answering your letter of November 6th, I note that you ask whether, in my opinion, the words 'policies of re-insurance' in section 96, among the policies which shall not be counted in determining the amount of new business issued, cover the case of the assumption by one company of the policies of another company. This I answer unquestionably yes.

These words were inserted at the instance of the Department so that companies which were approaching, or were likely to approach, the limit on new business set by section 96 would still be in the market, so far as this Department was concerned, in case it was liquidating a company and desired to reinsure the latter's business. It was thought that if the company to which application was made should be so prosperous as to be near the limit, it would hesitate to make a reinsurance desired by the Department and thereby deprive its field force of proper opportunity to write its full quota of new business."

Limitations of Section 96 Apply to Foreign Life Insurance Corporations

Extract from letter dated October 3, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"Section 96 of the Insurance Law which limits the amount of new business which may be written by a domestic life insurance corporation applies to the issues 'in the aggregate.' The limitations of this section apply to foreign life insurance corporations doing business in this state."

Section 97 — Limitation of Expenses

SUB. 1. APPLICATION OF SECTION

New Provisions of Law Do Not Affect Contracts Previously Entered Into

Extract from letter dated August 16, 1906, from the Superintendent to The Western Underwriter.

"The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Nylic Contract Not Affected by Amendment of 1906 *and Should be Classified as a General Expense of Company*

Extract from letter dated February 12, 1907, from the Superintendent to Mr. W. L. Guffin.

"Your favor of the 4th inst., in re Nylic agents of the New York Life Insurance Co., has been received. From an opinion of the Attorney-General bearing date December 28, 1906, I quote the following:

'First. The legal relation created between the company and the soliciting agent by membership in "Nylic for Agents," is contractual.

Prior to the insurance legislation of 1906, there was no legal obstacle in the way of a life insurance company of this State making the arrangement with agents embodied in membership of "Nylic for Agents."

'Third. The "Nylic" contract, above referred to, made prior to April 27, 1906, is not subject to the provision of the law of 1906, prohibiting "All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for."

'Fourth. The "Nylic" arrangement and the legal relation, above referred to, being contractual and valid prior to April 27, 1906, the insurance statute passed on that day does not interfere with the "Nylic" contract with agents then members of "Nylic."

'Fifth. In classifying the expenses of the company's business, this "Nylic" expense should be classified as a general expense of the company.

'Sixth. Under the provisions of the Insurance Law, as amended in 1906, and particularly the limitations and prohibitions of sections 97 and 98, the plan and agreements or contracts of "Nylic" for agents cannot be continued for agents employed after such amendments took effect and any "Nylic" contracts made after the taking effect of the amended statute are contrary thereto and illegal and void.'

See the case of Boswell v. Security Mutual Life Insurance Co., 193 N. Y., p. 465, in which the court said (page 473):

'We are of opinion that section 97 of the Insurance Law should not be construed as retroactive and, therefore, it does not apply to the contract before us. If construed otherwise it would contravene the provision of the Federal Constitution that no State shall pass any law impairing the obligation of contracts.'"

Section Has no Application to New Business Secured Under Contracts Entered into Before the Passage of the Law

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

"* * * You call my attention to two opinions rendered by my predecessor under dates of January 27, 1908, and December 28, 1908, and ask the following questions:

'First. In the case of an agent's contract made before the enactment of section 97, providing a rate of compensation for first year business greater than that permitted by section 97, as in the case of Boswell, what disposition should be made of the amount paid to such agent in excess of the amount permitted by section 97?

Second. Should a life insurance corporation, which has outstanding agency contracts of the character above mentioned, be held to the limitations prescribed in section 97 as to expenses for new business acquired through such agencies?

Third. Should the limitations prescribed in section 97 as to expenses for new business, be applied to each individual agent; to the aggregate expenses of all agencies; or only to such agents as hold contracts made in accordance with the provisions of section 97?

Fourth. What provision, if any, should be made in Schedule Q under the head of Mortality gains (by Select-and-Ultimate method) for business acquired through an agent holding a contract of the character above mentioned?'

* * * I therefore advise you to disregard the opinion of the deputy Attorney-General dated December 28, 1908, and to be guided as to the proper interpretation of this law by the opinion of January 27, 1908, setting forth the decision of the Appellate Division in this case. (Boswell v. Security Mutual Life Insurance Co., 119 App. Div. 723.)

I also advise you that under the decision of the Court of Appeals (193 N. Y. 465), this section is to have no effect whatever upon contracts with agents entered into before its passage.

The answers to your four questions follow logically and clearly from these two principles:

First. The amount paid to each agent in excess of the amount which would be permitted by section 97 will be carried simply as a general expense of the company if he procured business under a contract which antedated the enactment of this section.

Second. The corporation is not held to the limitations prescribed in this section as to expenses for new business acquired through agents acting under such contracts.

Third. The limitations prescribed in section 97 should be applied to each individual agent acting under contracts which are subject to this section.

Fourth. The 'Mortality gains (by Select and Ultimate method)' reported in schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or another upon the amount which the company can expend for new business.

In considering this question, it should be borne in mind that every contract which antedates the enactment of this section is not excluded from its limitations. Only those contracts so entered into which have a definite period to run which has not yet expired are so exempt."

(See Op. A. G., June 10, 1909.)

The Language "On its Behalf" Prohibits Payment by Any Person on Behalf of Company for Forbidden Purposes

Extract from letter dated August 22, 1907, from the Superintendent to Mr. Miles M. Dawson.

"Replying to your inquiry dated the 22d inst., with reference to rulings of the Insurance Department by letters dated August 19 and 20, respectively, under section 97 of the Insurance Law limiting expenses of life insurance corporations, and in response to your request for an opinion interpreting the language 'on its behalf' wherever found in said section, I beg to advise you that this Department construes the entire section in accordance with its spirit and purpose to limit the amount which may be paid by life insurance corporations for compensation and expenses as therein defined and in doing so give force and effect to its entire phraseology. The specific words 'on its behalf' appear in connection

with provisions prohibiting payments by a company for new business, for expenses in any year, for applications for insurance or collection of premiums without determination of amount in advance and for advances to solicitors of insurance without adequate collateral security. They unmistakably are intended to prevent expenditures or advances by any person, firm or corporation on behalf of a life insurance company for the forbidden purposes, without regard to ownership of the funds or of methods employed, and include the incurring of any liability."

Mutual Life Company May Not Give Subscription to Anti-Tuberculosis League

Extract from letter dated October 18, 1911, from the Superintendent to the Mutual Life Insurance Company of New York.

"Your favor of the 10th inst. with enclosures relating to the appeal of the Louisiana Anti-Tuberculosis League, was received by due course of mail; absence from the city has prevented an earlier reply.

I need hardly state to you that I am heartily in favor of any and all plans to improve sanitary conditions, and appreciate the benefits that will flow from such enterprises as that of the league; however, as the law of New York now stands, I am unable to give my approval to the giving by your mutual company of a subscription to such league."

SUB. 2. FIRST YEAR'S EXPENSES, LOADING AND MORTALITY SAVINGS

Computations for Expense are to be Made by Calendar Years and Should Not Include Fractional Payments Made on Issue of Previous Year but Issues of the Year in Question, to be Received the Following Year

Extract from letter dated June 29, 1906, from Metropolitan Life Insurance Company to the Superintendent of Insurance.

"The Metropolitan Life Insurance Company writes a large number of policies through its ordinary department, where premiums are payable quarterly or semi-annually. It follows, therefore, that on all policies issued in April, May or June, 1906, on a quarterly basis and continued in force, the last quarter of the first year's premium will be due in January, February and March, 1907. Similarly, those policies issued in July, August and September will have two quarters of the first year's premiums falling due in

1907 and those policies issued in October, November or December, 1906, will have three quarters of the first year's premium falling due in 1907.

Agents' commissions are not due or payable until the premiums on which the commissions are based are paid; so that the agents' commissions on first year's premiums paid in 1907 on policies issued in 1906 would constitute a part of the expenses on first year's business and the question arises under section 97 of the Insurance Law:

First, whether the company will be permitted under the provisions of that section to take credit for the loadings and margins therein provided on such first year's premiums received in 1907 on the business issued in 1906, and,

Second, whether that section of the law contemplates the computation of debits and credits on the business actually issued in the year 1907. If it does contemplate such a computation, then does it follow that in calculating the first year's premiums received in the year 1907 on the business issued in that year the company is to exclude all the first year's premiums received on the issue of the year 1906 and also the corresponding expenses which the company paid on account of such premiums.

The Superintendent replied to the above on the 9th July, as follows:

'Computations for expense are to be made by calendar years. They should not include fractional payments made on issues of the previous year, but should include fractional payments on account of issues of the year in question, to be received in the following year.'"

Where Applications and Medical Examinations are Made Before January 1, 1907, *Premiums Paid After That Date Enter into the Computation*

Extract from letter dated November 23, 1906, from the Superintendent to Connecticut General Life Insurance Company.

"Where applications and medical examinations are made before January 1, 1907, but first premiums are not paid until after that date, the policies must be on the standard forms and the premiums enter into the computation."

Company Must Report as Its True Cost of New Business Sums Paid Under Each Head, also Additional Sums Paid by Its Agents to Sub-Agents or Otherwise Over and Above What the Company Has Paid or is to Pay

Extract from letter dated October 28, 1907, from Superintendent to Mr. Miles M. Dawson.

"Your favor of the 24th inst., referring to my letter to the Metropolitan Life Ins. Co. dated July 9, 1906, has been received.

Relating to the ruling contained in the letter referred to, you write as follows:

'As I understand your ruling, it is to the effect that the amounts to be allowed under the limitation of first year's expenses are: First, the loadings on new premiums received during the year for business issued during the year; and second, the loading on deferred and uncollected premiums, not yet received, for the new business issued during the year and the Select and Ultimate margin for all policies issued during the year, computed as follows, viz.: (a) The full margin upon all policies still in force and a proportionate part of the margin for all policies issued and upon which an installment was received but which have lapsed, these constituting the entire provisions according to the statute and that on the other side there should be charged all sums expended by the company or for which it has become liable under the following heads, viz.:

First. Commissions on first year's premiums on policies issued within the year, including commissions to be paid upon the deferred and uncollected first year's premiums on the same.

Second. For compensation not paid in commissions for services in obtaining new insurance, exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices.

Third. For medical examinations and inspections of proposed risks, and,

Fourth. For advances to agents and also all sums expended by or for which any person, firm or corporation on behalf of the company or under any agreement with the company, has become liable, for the same purposes, including the first year's commissions or other compensation or advances to such agent, because of new business secured by himself personally, in excess of the sums payable to the agent under his contract with his company.

I take it that the idea is, according to your construction of the law as aforesaid, that the company must report as its true cost of new business, first, the sums paid or to be paid by it on account of the new business under each of these heads and also any additional sums paid or to be paid by its agents to sub-agents or otherwise over and above what the company has paid or is to pay, which sums are plainly intended by the statute to be included as a part of the cost of new business to be limited, as stated.'

Your understanding of the ruling and the conclusion you deduce therefrom are entirely correct."

Deferred Dividend Policies Issued in 1907, *but Applied for and Premium Paid in* 1906, *Not to be Included in Computation*

Extract from letter dated September 14, 1906, from the Superintendent to The Manhattan Life Insurance Company.

"Where applications and medical examinations are made, and binding receipts are given on payment of the premiums on or before December 31, 1906, the company may write the policies on deferred dividend plans. In such cases the premiums and the

commissions thereon should be eliminated from the computations provided for in section 97 of the Insurance Law.

Where the policies are applied for in 1906, but not issued or delivered, nor premiums thereon paid until (on or) after January 1, 1907, they must be written on the forms prescribed in or provided for in section 101 of the Insurance Law. In such cases the premiums and the commissions thereon would enter into the computations provided for in section 97."

Limitation on Margins for Expenses on Term Policies

Extract from letter dated October 29, 1906, from the Superintendent to Home Life Insurance Company.

"Your favor of the 23d inst., relating to limitation of expenses under section 97 of the Insurance Law, especially in connection with short term insurances, was received in due course.

Your proposal 'to restrict expense to a maximum value at any age of the office premium less one-half of the net single premium for one year's term insurance on the basis of American 3½ per cent., which assumes the mortality in the first year of insurance as 50 per cent. of the tabular rate in accordance with section 84 of the new law,' has my approval."

Date of Changed Policy Controlling Factor in Regard to Subjecting Term Policy to Limitation of Expenses Thereon

Extract from letter, dated March 5, 1907, from the Superintendent to Home Life Insurance Company.

"You ask:

'Do you consider that the changing of a term policy in accordance with its provisions, making the contract a life or endowment one as from a date prior to January 1, 1907, subjects such change and the premiums received thereon to the limitation of expenses as provided for in section 97 of the Insurance Laws, or can such change (so far as the compensation to the agent is concerned) be treated in the same way as the compensation paid upon deferred first year's premiums received during the current year on policies issued during 1906?'

The date of the changed policy is the controlling factor. From your statement, these policies would not be subject to the limitations of expenses for the procurement of new business; they would, however, come within the general limitation of expense."

First Year's Expense Limitations upon Term Premiums

Extract from letter dated August 19, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of section 97, and particularly of the language at the close of the first sentence: 'and the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium or installment thereof has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation as provided in section 84 of this chapter' and with direct reference to the amount which is set free for first year's expenses under this provision in the case of premiums on term policies.

I am of the opinion that the law permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation; in the case referred to, not to exceed the 'net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate Table up to the next anniversary of the policy.'"

Loadings on Annuity Contracts Should be Included in Calculating First Year Expenses

Extract from letter dated July 26, 1907, from the Superintendent to Home Life Insurance Company.

"After referring to the limitations of the section as to expenses other than investment expenses, you write as follows:

'We are uncertain whether the loadings on the various forms of annuity contracts namely: immediate, temporary, survivorship or deferred are to be included in the calculation of the amount of expense to which we may go either on first year's business or on the total business of the company. A ruling on this point will be very greatly appreciated.'

In my opinion the loadings on the various forms of annuity contracts should be included in the calculations referred to."

Annuity Contracts Not Subject to Provisions of Sections 96 and 97 Except as to Expenses

Extract from letter dated August 2, 1909, from the Superintendent to the New York Life Insurance Company.

"I would advise you that, in my opinion, annuity contracts, whether they are survivorship annuities or not, do not come within

the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

What Constitutes an "Installment" of Premiums

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Where an advance payment is made less in amount than a quarterly premium on the policy applied for * * * in my opinion such advance payment is an 'installment' within the meaning of section 97."

SUB. 3. SELECT AND ULTIMATE METHOD OF VALUATION

Estimated Mortality Savings According to the Select and Ultimate Method on Term Policies

Extract from letter dated April 16. 1907, from the Superintendent to The Union Central Life Insurance Company.

"As to expense allowance, the law permits such as can actually be realized under the Select and Ultimate system of reserves, the mortality being precisely as per the Select and Ultimate Table; in no case more than the entire premium less the S. and U. qx, i. e., than the entire premium less ½ of the Am. Ex. qx."

Computations Relating to First Year's Expenses Should be Based on the Am. Ex. 3½% Select and Ultimate Table, Both as to Loadings on Premiums and the Present Values of Assumed Mortality Gains, Etc.

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"You ask for a ruling on the following points:

'When a company reserves on the full American 3 per cent. basis are the present values of the assumed mortality gains on those policies to be calculated according to the American 3 per cent. Select and Ultimate or the American 3½ per cent. Select and Ultimate Table, firstly, for the calculation of the limitation of expenses on new business, secondly, the calculation of limitation of expenses on the total business?' * * *

I am of the opinion that computations relating to first years' expenses should be based on the American Experience 3½ per

cent. Select and Ultimate Table, both as to loadings on premiums and the present values of assumed mortality gains; and that computations relating to expenses on total business should be based on 'actual' loadings received and the present values of assumed mortality gains determined as aforesaid."

Expense Allowances Limited to Gains Realized by Select and Ultimate Method of Valuation

Extract from letter dated November 21, 1907, from the Attorney-General to the Superintendent of Insurance.

"* * * The rulings on which an opinion is asked, and the correctness of which is in question, are as follows:

In a letter under date of August 19, 1907, to Mr. M. M. Dawson you held:

'That the law (section 97) permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation: in the case referred to not to exceed the net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate Table up to the next anniversary of the policy.'

A protest having been entered as to this ruling, you wrote to Mr. Fred. W. Jenkins, General Counsel of the Security Mutual Life Insurance Company, under date of September 30, 1907, as follows:

'It is clearly the intent of the Legislature to so limit the expenses of life insurance companies for the procurement of new business that the premiums on such business would not only carry the current risk on the policy, but would also take care of the four items of expense set forth in the first sentence of section 97 of the Insurance Law. In order that this might be done companies were authorized to use the total loadings upon the premiums for the first year of insurance and the present values of the assumed mortality gains for the first five years, etc. It clearly was not the intent of the Legislature in authorizing the use of these loadings and present values to make a first year's expense allowance so great that the reserves for that year could not also be met by its premiums.'

The contention is made that these rulings are erroneous; that a proper construction of the section in question would permit the insurance companies to use for the items of expense enumerated the full amount gained according to the Select and Ultimate formula, regardless of reserve requirements, and even though this computation apparently permitted the use of the whole of the first

year's premiums, as in fact would be the result as to contracts for short-term insurance. * * *

This section (97) permits the use for the four purposes therein enumerated of the loadings on the first year's premiums and the present value of the assumed mortality gains, as ascertained by 'the Select and Ultimate method of valuation as provided in section 84.' * * *

The statute taken as a whole requires the maintenance by all insurance companies doing business in this State of an adequate reserve and permits the dissolution of all such corporations whose reserves permanently fall below the required standard. The courts have held (Boswell v. Security Mutual Life Insurance Co., 119 App. Div. 723), that the limitations of section 97 apply to each policy and each agent and the same rule would seem also to require a proper reserve as to each policy. It obviously was the legislative intent to strictly limit the expenditures of insurance companies securing new business and it would do violence to that intent to hold that the whole of the first year's premium could be used for such expenses, leaving nothing for the required reserves. Certainly this will be the result if the contentions of the objectors to your rulings were upheld.

I am of the opinion that the plain reading of sections 97 and 84 of the Insurance Law, having in mind the context of these statutes and the definition of the Select and Ultimate method above quoted, established the correctness of your rulings. * * *"

(See Foreign Valuations, § 84, sub. 4.)

(See Op. A. G., Nov. 21, 1907; Jan. 27, 1908, for definition of "Select and Ultimate Method.")

Select and Ultimate Method not to be Applied to Reinsurance Contract

Policies issued under reinsurance contract between the Postal and Mutual Reserve Companies, not regarded as new business to which Select and Ultimate method may be applied.

(See Op. A. G., July 22, 1909; Sept. 13, 1909.)

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

(See extract from an opinion of the Attorney-General, dated January 27, 1908, quoted under section 103, sub. 11b.)

(See also extract from letter dated October 23, 1908, from the Superintendent to Mr. J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York, quoted under section 103, sub. 11b.)

(See also letter to the Travelers Insurance Company dated April 29, 1908, § 103, sub. 11b.)

Expenses of State Examiners Not Limited by Section 97

Extract from letter dated February 4, 1910, from the Superintendent to the Postal Life Insurance Company.

"You ask to be advised 'whether expenses of the company's examination, incurred by your examiners in 1909, are chargeable in 'total expenses' for the Schedule 'Q' report, or are regarded as a tax or State requirement not to be included.'

I am of the opinion that the expenses in question are not such as are limited by the provisions of section 97 of the Insurance Law."

SUB. 4. AGENTS' COMMISSIONS

Traveling Expenses of Soliciting Agents Not Chargeable Against Margin Allowed for First Year Business

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"Traveling expenses paid to soliciting agents are not to be charged against the margin allowed for the expenses of first year's business, but form part of the expenses to be taken out of the actual loading on the total premiums received."

Immaterial Whether Contracts be Made with General Agents or with Sub-Agents so Long as Limitations of Section be Not Exceeded

Extract from letter dated January 14, 1907, from the Superintendent to the National Life Insurance Company.

"It is the intent of section 97 of the Insurance Law to limit the amounts that may be paid by life insurance companies for

certain items of expense. So long as your Company keeps within the limitations of the section it is immaterial whether your contracts are made with general agents or direct with sub-agents."

Section Prohibits Payment to a Soliciting Agent of Any Sum of Money in Excess of the Limitation Therein Set Forth

Extract from letter dated August 20, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of that portion of section 97 of the Insurance Law which reads as follows:

'No domestic life insurance corporation shall in any calendar year after the year nineteen hundred and six expend or become liable for or permit any person, firm or corporation to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, an amount exceeding in the aggregate the total loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American Experience Table of Mortality with interest at the rate of three and one-half per centum per annum), and the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation, as provided in section eighty-four of this chapter.'

I am of the opinion that this provision of the law prohibits the payment to a soliciting agent of any sum of money in excess of the limitation therein set forth."

Idem

Extract from letter dated August 28, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am clearly of the opinion that any payment of commissions on first year's premiums in excess of the limitations of section 97 of the Insurance Law, which is made by this representative of your company to a soliciting agent, is prohibited by the section; and also that the company is prohibited from permitting such payment by its representative."

Limitation Applies to Each Part of the Agency Force and Successively to the Aggregate Sum Permitted to be Expended for New Business

Extract from letter dated September 26, 1907, from the Superintendent to Charles Jerome Edwards.

"In construing provisions of section 97 of the Insurance Law governing payments to agents of life insurance companies, the Department holds that their purpose is to prohibit payments to a soliciting agent in excess of the limitations therein set forth and that they are applicable to payments made for new business by agents in their own behalf with or without the knowledge of the companies for which such new business is obtained. The company ultimately pays the cost incurred, which includes compensation for the agent or there would be no inducement for the latter to make advances. Whether effective or not in practice, the legislative intent was that no life insurance corporation nor agent thereof should expend or become liable for expenses in excess of the limitation prescribed.

The restrictions apply to expenditures by any individual agency, separately and by itself, irrespective of whether the aggregate expenditures of the company throughout all its agencies do or do not exceed the statutory limitation. Such limitation applies to each part of the agency force and successively to the aggregate sum permitted to be expended for new business by the several agencies of the company as a whole and does not afford an opportunity for defeating its declared purpose through a variety of contracts with different agents upon the hopeless assumption that an accurate regulation could be had thereunder and the total of disbursements restrained. An individual agent is prevented from expending moneys which may increase the total for new business beyond the limitation, although such expenditures are made by him from his own personal funds, on his own behalf, for his own profit and without agreement or expectation of specific reimbursement by the company. If the individual agent is not held to a personal responsibility the avenues for an evasion of the law are opened wide."

The Restrictions Apply to Expenditures by Each Individual Agent

Extract from letter dated June 29, 1909, from the Superintendent to the National Life Insurance Company.

"Your favor of the 25th inst. relating to the opinion of the Attorney-General, dated June 10, 1909, concerning the proper interpretation of section 97 of the Insurance Law, has been received.

Under date of September 26, 1907, in a letter addressed to Charles Jerome Edwards, Brooklyn, N. Y., the Superintendent gave a ruling in regard to payments to soliciting agents (a copy of this letter is enclosed herewith). Overruled by the opinion of the Attorney-General dated December 28, 1908, its correctness is now confirmed by the Attorney-General's opinion of the 10th instant (copy enclosed), and I would advise you that following the advice contained in this opinion the Department will disregard the opinion of the deputy Attorney-General dated December 28, 1908, and be guided as to the proper interpretation of the section in question by the opinion of January 27, 1908."

Maximum Commission Need Not be Paid when Procuring New Business

Extract from a letter dated September 28, 1909, from the Superintendent to the Casualty Review Publishing Company.

"Section 97 of the Insurance Law fixes a limit beyond which a life insurance corporation may not lawfully go in its expenditures for the purpose of procuring new business. There is, however, nothing in the law which requires such a corporation to pay any certain part, or the whole, of the largest commission which may be found permissible under the section referred to."

Maximum Amount of Commission Fixed by Section 97

Extract from letter dated April 11, 1911, from the Superintendent to The California Timber & Development Company, Inc.

"* * * You state:

'Our company intends to sell to the public a participating bond or contract upon timber lands upon the instalment plan. We intend to allow the purchaser of these bonds to take out an insurance policy in any first-class insurance company. Our company proposes to pay the premium upon this

insurance for a term of years. We intend to take an assignment of the insurance policy, said assignment to be held until the purchaser of our bonds has paid all his instalments as per his contract. We then return the policy and cancel the assignment to the policy owner.'

In connection with this statement you ask several questions which I quote, following each one with its answer:

'First: Have we the right to pay for the life insurance policy and give it to the said purchaser without cost to him?'

Yes.

'Second: Have we the right to take an assignment of the said policy and hold the same until the full instalments due our company have been paid?'

Yes.

'Third: Have we the right to make an agreement with an insurance agent, the said agent being a stockholder of our company, to give him all the business we possibly can, we having absolutely no connection with the insurance company, nor have we any, and we do not intend to have any agreement for any part of the agents' commissions?'

I know of nothing to prevent your company giving all its patronage to one insurance company or distributing it among many.

'Fourth: Has the agent of any insurance company that we are doing business with, the right to become a director of our company?'

Yes.

'Fifth: Does the law set any stated amount as a maximum that the insurance companies can pay to their agent as a commission, provided this agent has no other business than the agency of the insurance company excepting as to questions three and four as above?'

See copy of section 97 of the Insurance Law enclosed herewith.

'Sixth: Has our company the right to pick out any particular insurance company without the consent in advance of the insurer or the purchasers of our bonds, or must we consent to give the right to the purchaser to designate the company he wants to be insured in?'

Your company may or may not prescribe the insurance company to issue the policy or policies, as it sees fit."

Law Does Not Require Payment of Certain Commissions

Extract from letter dated June 21, 1911, from the Superintendent to the New York Life Insurance Company.

"* * * Enclosed herewith you will please find copy of section 97 of the Insurance Law which will advise you as to the limitations placed on the expenses of life insurance companies. The law does not require the payment of certain commissions, but does require that they be not exceeded."

Idem

Extract from letter dated May 28, 1913, from the Superintendent to the Illinois Life Insurance Company.

"Section 97 of the Insurance Law does not provide that life insurance corporations must pay a certain rate of commission, new or renewal; it does place certain limitations upon commissions which may be paid on new and renewal premiums.

Commissions on Term Premiums

Extract from letter dated August 28, 1907, from the Superintendent to The Life Association of America.

"In connection with this matter I would call your attention to my letter of the 19th inst. addressed to Mr. Miles M. Dawson, a copy of which you will please find inclosed herewith. From this you will see that, in my opinion, 70 per cent. commissions on term premiums cannot be paid without exceeding the limitations of section 97 of the Insurance Law."

Policy Issued in Accordance with Privilege granted in Term Policy May be Considered "New Insurance," and First Year's Commissions and Nine Renewals May be Paid Thereon

Extract from letter dated June 9, 1908, from the Superintendent to The Washington Life Insurance Company.

"In your favor of the 6th inst. you write as follows:

'This company desires to write a 5-yr. non-renewable term policy under the standard policy form of the State of New York. If exchanged for an ordinary life, limited payment life or endowment policy after the first policy year and within five years from the date of issue, in accordance with the provision in said standard policy form, what commissions can this company pay to the agent who effects the change in question?'

I am of the opinion that the policy issued in accordance with the provision in said standard (term) policy form may be considered 'new insurance' and that on it you can pay a regular first year commission and allow nine renewals."

In re Commissions to Agents on Exchange of Term Policies for Participating Life or Endowment Insurance

Extract from letter dated Dec. 9, 1911, from the Superintendent to the Home Life Insurance Company, New York.

"* * * You state that:

'Prior to the passage of the laws restricting commissions to agents, we issued many policies of term insurance which contained a privilege to convert from date of issue into any form of life or endowment policy then being issued by the company. This privilege was guaranteed by the policy contract in the following terms:

Exchange.—'Upon written application by the insured with the legal surrender of this policy upon any anniversary of the date of its premium payment while in full force, the company will issue in lieu thereof without medical re-examination, either:

'(a) a policy for a like amount upon any plan of participating life or endowment insurance then issued by the company on payment of the regular premium at the attained age of the insured; or,

'(b) a policy for a like amount at the same age and date of issue as this policy, upon any plan of participating life or endowment insurance now issued by the company, on payment with interest of the difference in premium under this policy, and that required under the new policy.'

Under the foregoing clause (a), if a policy be changed to any form we *now* issue at attained age, we would understand that the commissions to agents must be those for which the premium on the new policy provides, that is, commissions coming within the limitations of the current New York laws, and with this view our agents seem to concur.

But in some few instances an agent collects the difference between the premium rates from the commencement as authorized in (b) above; and, on application by the insured, we are in such circumstances bound to issue a policy for a like amount dated back to the time when the original term policy was issued at the rates of premium which were then in use.

We have had some difficulty in determining the rate of commission we can legally allow the agent on such an exchange and have heretofore limited the amount to the sum permissible under the new laws. Several agents claim they are entitled to the rate of commission they would have received prior to January 1, 1907, on the ground that the only difference is that part of the first premium was paid prior to 1907 and the other part in 1911. The question is only important as a matter of principle as the number of such changes is necessarily small; and we feel that the agents have some good grounds for their claim, since the change is made in accordance with the original policy contract and was doubtless contemplated at the time the term policy was written.

We shall be glad to know whether your Department would view the payment of commissions in such cases as a question which comes under the old contract with the agent, and which is not affected by the laws of 1906, limiting commissions on future new issues. Further, we should like to know whether any proportion of the "mortality gains" under the Select and Ultimate form of valuation can be used in Schedule Q as an offset against such expense; or *whether such cases should be excluded altogether from both the credits and expenses applicable to first year's business.*'

I am of the opinion that for exchanges made under the foregoing clause (a), 'the commissions to agents must be those for which the premium on the new policy provides, that is, commissions coming within the limitations of the current New York Laws;' and that for exchanges made under the foregoing clause (b), you can pay the difference in the commission and renewals from the date of the original policy as per contract and within the limitation of the law and 'such cases should be excluded altogether from both the credits and expenses applicable to first year's business.'"

Commission on Life Certificates Sold in Connection with Accident Policies

Extract from letter dated July 29, 1908, from the Superintendent to the Ætna Life Insurance Company.

"You ask:

'Will you kindly advise whether the issue of these certificates and the continuation of the contract in subsequent years by the use of ordinary renewal receipts, with the payment of the same commissions which we allow to our different agents according to their accident contracts, will be permitted in New York State under the Laws existing there for the transaction of business of life insurance?'

To this my answer is in the affirmative, assuming that the expenditures on account of new business do not exceed the limitations set forth in section 97 of the Insurance Law of this State."

Issuing Insurance Policies Through Mail Order Houses Prohibited

Extract from letter dated February 19, 1909, from the Superintendent to the Mutual Benefit Life Insurance Company.

"Your favor of the 9th inst. relating to a proposed scheme of issuing insurance policies through a mail order house, was received by due course of mail.

The scheme as stated by you is decidedly objectionable as it

injects speculation into the business of selling life insurance and would subject many local agents of your company to unfair competition. Further, in my opinion, it would be a violation of the limitations of section 97 of the Insurance Law of this State."

SUB. 5. COMPENSATION OF AGENT MUST BE DETERMINED IN ADVANCE

Agent Employed on Commission not Entitled to Other Compensation

Extract from letter dated November 14, 1907, from the Superintendent to Home Life Insurance Company.

"You state that:

'We have for many years had great difficulty in securing a proper amount of business from the New England territory and it has been suggested that that territory could be best developed by the appointment of a salaried agency supervisor who should devote his energy to the development of that territory and have no commission interest whatever in the business under his supervision. * * *

In this particular instance, it seems that the most desirable and economical arrangement which could be made would be to turn the supervision of that territory under the above arrangement over to a man who already represents us in the Greater New York department under a commission contract. The arrangement would then be that this gentleman would continue to develop Greater New York, his present territory, under his commission contract and would at the same time be agency supervisor of the New England territory on a salaried basis; the two departments would be absolutely and entirely distinct, although handled under these two different arrangements by one and the same man.'

Section 97 of the Insurance Law provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance.'

I am of the opinion that in view of the foregoing provision you cannot legally make the suggested appointment."

Commissions Not to be Paid to Clerks Regularly Employed Under Salary

Extract from letter dated March 2, 1908, from the Superintendent to Mr. John H. Robinson.

"You write as follows:

'Kindly advise me if it is lawful for the management of a life insurance company to pay to a clerk, regularly employed in its offices, a commission equal

to what is regularly paid to agents, or even a less commission, on a new policy issued on an application secured by the said clerk acting as agent? I assume that the limitation of expenses indicated in section 97 was intended not only to afford protection to the policyholder against a lavish and uncalled-for expenditure of money, but also that the agent devoting his time to promoting and making successful the company's business should be afforded protection from the competition of others in the employ of his company who are paid a salary for services of an entirely different character.'

I am of opinion that the payment of commissions by a life insurance company to clerks regularly employed in its offices under salary for services of an entirely different character than those of an agent is contrary to the spirit of section 97 of the Insurance Law."

Compensation May Not Exceed that Which Has Been Determined In Advance

Extract from letter dated July 29, 1908, from the Superintendent to the Washington Life Insurance Company.

"I am of the opinion that the provisions of section 97 of the Insurance Law governing payments for new business to agents of life insurance companies apply to the payments made for the new business procured by such agents. The restrictions apply to each agent separately and by himself, irrespective of whether the aggregate payments by the company to all its agents do or do not exceed the statutory limitations. The compensation of an agent may not exceed that which has been determined in advance; any increased or additional compensation based upon *the aggregate* of policies written or paid for is prohibited."

Idem

Extract from letter dated November 4, 1908, from the Superintendent to Fell & Fell.

"Your favor of the 29th ult. has been received.

The offer made in the second paragraph of your letter, dated October 15, 1908: 'Having made a saving *each month* during the first nine months of this year, we are going to pay out the accumulation on business written and paid for this month. This will make the commission from 17 per cent. to 22 per cent. higher

than regular first year commissions,' is in conflict with that provision of section 97 of the Insurance Law which prohibits the payment to any agent, broker, etc., of 'any compensation other than that which has been determined in advance.'

You wish to be advised:

'If it is lawful for a company which makes a saving under the law of say $150,000 on new business during the first nine months of the year to pay out that saving during the balance of year by increasing the commission to agents, provided the total expended in that year for new business is not in excess of the amount allowed by law.'

I am of the opinion that this may not lawfully be done. Such savings in expenses as a company might be able to make should inure to the benefit of the policyholders."

Increased Compensation May Not be Secured by Retroactive Contract

Extract from letter dated March 18, 1913, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"You state:

'One of our agents desires an amendment to his contract affecting collection fees and other matters of compensation. We have agreed to the amendment, but he desires to have same made retroactive to bear date January first, 1908.'

In my opinion this would fall within the prohibition of section 97 of the Insurance Law relating to the payment of 'any compensation other than that which has been determined in advance.'"

Present Commissions May Be Paid to Salaried Clerks or Cashiers, if Determined in Advance, But Renewal Commissions May Not Be So Paid

Extract from Opinion of Department Counsel, dated March 17, 1909.

"Answering your request for an opinion on the question of whether or not it is lawful for life insurance companies to pay salaried clerks, or cashiers, present and renewal commissions for business secured by them, I beg to reply as follows: Upon an examination of sections 97 and 98 of the Insurance Law, I find that, although it seems to be decidedly against the spirit of the

law, it is lawful for a life insurance company to pay a present commission to a clerk or other person, on salary with the company, who procures new business, provided the commission is determined in advance and that if it will exceed $5,000 for any one year the contract for such commission is passed upon by the board of directors. It is not lawful, however, for such life insurance corporation to pay or agree to pay renewal commissions to such a salaried employee as a clerk, cashier or other person, as to do so would violate positive provisions of law."

Life Insurance Company May Contract with Agent for Period Exceeding One Year

Extract from letter dated April 16, 1912, from the Superintendent to the Niagara Life Insurance Company.

"* * * You ask:

'Is it lawful for a life insurance company to make a contract with an agent for a longer period than one year, provided that the compensation be exclusively on a commission basis?'

To this my answer is yes."

SUB. 6. BONUSES, PRIZES AND REWARDS

Payment of Commissions to Agents Based on Amounts Under Kinds and Ages Resulting in Greater Rate on Policies of Large Amount Allowable

Extract from letter dated December 10, 1906, from the Superintendent to The Washington Life Insurance Company.

"Under date of the 7th inst. you write as follows:

'Where a company desires to pay commissions to agents upon a basis as shown in the inclosed agency contract, where a commission allowance is based upon amounts under kinds and ages, in accordance with the limits as provided by law, and where deduction is made of the actual medical examination fee, the result is that the rate of commission is greater on a policy of large amount than on a policy of small amount.'

You then refer to section 97 of the Insurance Law and ask:

'Is there anything in the Insurance Law forbidding such a plan where the actual limits as provided are not exceeded?'

To this my answer is no."

Contracts by Which No Commission Shall Be Paid Unless Given Amount of Business is Written, Allowed

Extract from letter dated December 26, 1906, from the Superintendent to John Hancock Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards,' etc., prohibits the payment of 'increased or additional commissions' and should be read in connection with the sentence immediately preceding. It does not prohibit the making of a contract by which no commission shall be paid unless a given amount of business is written, always provided that the payments on account of commission be kept within the limitations of the law."

Additional Commission on First Year's Premiums Prohibited

Extract from letter dated June 3, 1908, from the Superintendent to Mr. Allan Waters.

"Section 97 of the Insurance Law relating to the limitation of expenses of life insurance corporations provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that this will not permit 'the drafting of a contract to provide that the agent shall receive 5 per cent. additional commission upon first annual premiums provided he secures a certain amount of paid-for business annually, providing the maximum commission comes within the provisions of the law.'"

Additional Compensation Based on Volume of Business Not Approved

Extract from letter dated June 19, 1909, from the Superintendent to the Germania Life Insurance Company.

"You write:

'One of our managers proposes that besides the regular scale of commissions and renewal commissions, the company allow him in lieu of all other

expenses connected with the management of his offices, i. e., office rent, clerk hire, traveling expenses, postage, exchange, telegrams, etc., a certain sum per annum, he guaranteeing to produce a certain volume of business.'

I would advise you that I could not approve such an arrangement as the above."

Payments to Agents Must be Made in Good Faith

Extract from letter, dated May 4, 1909, from the Superintendent to Mr. H. W. Adams.

"Your favor of the 3d inst. relating to remuneration of life insurance agents, is received.

You have been advised that the proposed payments to agents must be 'paid in good faith.' When it is proposed that the payments be made simply to increase the emoluments of the agents, I am of the opinion that section 97 of the Insurance Law prohibits such payments.

For further information in regard to the matter I would refer you to the general counsel of your company."

Prizes to Sub-Agent Based on Amount of Business Written Prohibited

Extract from letter dated July 27, 1910, from the Superintendent to the Ætna Life Insurance Company.

"You write as follows:

'Suppose I, as a general agent, desire to stimulate my men to greater effort during the month of August by offering them prizes based upon a certain amount of business written and paid for, said prizes to be either cash or merchandise, would I by so doing violate the law? I understand full well that companies may not do this sort of thing, but it is not clear in my mind whether general agents, acting upon their own motion and without even the knowledge of their company, may make such offers as above indicated.'

The prohibitions of that portion of section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards and all increased or additional commissions, or compensation of any sort, based upon the volume of any new or renewed business, or the aggregate of policies written or paid for, are prohibited,' are not limited but are general in their nature; the sentence should be read in connection with that which immediately precedes it."

Managers in Various States May Not Contribute to General Fund from Which Prizes Are to be Paid for "Largest Amount of Business"

Extract from letter dated October 17, 1910, from the Superintendent to the Provident Savings Life Assurance Society.

"Your favor * * * relating to a suggestion that it would be unlawful under the New York law for your managers in various States to organize an association to contribute a general fund and offer prizes from such fund to managers or districts for the largest volume of business written was received. * * *

I am of the opinion that such a scheme would fall within the prohibition of section 97 of the Insurance Law."

Prizes Based on "Efficiency" May Not be Given

Extract from letter dated December 30, 1910, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"* * * You write as follows:

'Section 97 of the revised insurance law provides that 'all bonuses, prizes, and rewards * * * based upon the volume of any new or renewed business, etc., are prohibited.' This office has for some period printed for the information of agents an 'honor roll' designed to show the names of such men as are producing business of any sort or amount during a given week. The published list has no reference whatever to the volume of production but attempts to signalize persistence of effort. In this connection we have thought of offering a prize to be divided at the end of the year, *not* based on the volume of business done by anybody but based upon the persistence of effort and continuity of purpose as evidenced by the weekly appearance of the agent's name as a producer independent of the volume of business secured by him, the aim of course, being to give a steadiness of production sometimes absent in the case of many field men.'

I am of the opinion that the giving of the proposed prize falls within the prohibition of the sentence incorrectly quoted by you."

Extra Commission Based on Amount of New Business Prohibited

Extract from letter, dated January 21, 1911, from the Superintendent to The Northwestern Mutual Life Insurance Company.

"* * * You state:

'I would like to ask what your ruling is with reference to a portion of section 97 of the Insurance Law in regard to managers or general agents offering an extra commission in the way of a prize or a reward; for example,

suppose I were to divide my agency force into two separate teams competing for business for the year 1911 with the understanding that the team paying for the largest amount of insurance during the year should receive 1 per cent. extra commission on all business paid for in the year, this commission in addition to their regular contract commission being less than the commission which I receive from the company upon the same business.'

I am of the opinion that this would be a violation of the provisions of section 97 of the Insurance Law * * *."

Salaries Based on Amount of New Business Secured Must be Charged to Cost of New Business

Extract from letter dated December 17, 1910, from the Superintendent to Chief Examiner of Life Companies.

"Your favor of the 10th inst. with enclosures relating to the return as salaries, by life insurance companies, of compensation based on insurance effected by their agents, was received by due course of mail.

I am of the opinion that so-called 'salaries' based on the premiums or on the amount of new business issued, are commissions, and must be charged to the cost of new business."

Payment of Traveling Expenses of Agent to a Convention Prohibited

Extract from letter dated January 3, 1907, from the Superintendent to Phœnix Mutual Life Insurance Company.

"You ask:

'Would it be proper for a general agent to make a contract providing for a certain number or amount of renewal commissions upon the writing of a certain amount of insurance, and stipulating that failure to reach that amount would decrease the number or amount of the renewal commissions promised?'

To this my answer is yes, provided that the number and amount of the renewal commissions did not exceed the limitation of the section.

You also ask:

'If it is proper to make a contract allowing a certain amount of commissions provided a certain amount of insurance is written, would it also be perfectly proper for the company to offer to pay certain expenses, as, for instance, the traveling expenses of an agent to the annual convention of agents, provided a certain amount of insurance should be written?'

To this my answer is no, such payment comes within the prohibition of the section."

General Agents May Pay Railroad and Hotel Bills of Their Agents Attending Annual Meetings of the Company

Extract from letter dated December 19, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"* * * You write as follows:

'It is the custom of some of the general agents of the Northwestern Mutual Life Insurance Company to pay the railroad fares and hotel bills of their agents to the July annual meetings of the company at the home office, Milwaukee. Would it be contrary to the laws of this State if a general agent in this State were to offer to pay such expenses of the five, ten or fifteen of his agents making the largest percentage of increase over the first six months' business of the previous year?'

I am of the opinion that the temporary enjoyment of a reward of efficiency that brings no pecuniary return to an agent does not fall within the prohibition of section 97 of the Insurance Law."

Agent May Not be Compensated for Loss of Business While Attending Committee Meetings

Extract from letter, dated December 19, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"* * * You write:

'We have at this general agency an advisory committee of agents. The ten agents writing the largest amount of business year by year have constituted this committee. The attendance of the members of this committee at committee meetings results in some loss of time from soliciting, and such attendance is, therefore, more or less of a loss to each member of the committee. Is there anything in the insurance laws of this state that would prevent me as general agent paying a stated sum to each member of the advisory committee as a compensation for any loss of business that might ensue from his attendance at such meetings?'

Section 97 of the Insurance Law provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon *or for any other service performed in connection therewith* any compensation other than that which has been determined in advance.'"

Officer May Insure His Life in Company, if No Rebate Granted or Commission Paid

(See letter dated December 3, 1906, from the Superintendent to Mr. Lathrop E. Baldwin, § 89, sub. 4.)

Commissions and Brokerage to Agents on Policies on Their Own Lives

(See letters under § 89, sub. 4.)

Honor Rolls or Other Reward of Merit Involving No Pecuniary Return to Agent Not Prohibited

Extract from letter dated November 19, 1906, from the Superintendent to Phœnix Mutual Life Insurance Company.

"You write:

'I take it that the word 'reward' can mean only pecuniary recompense, and that honor rolls and the temporary enjoyment of reward of merit that brings no pecuniary return to the agent was not intended to be forbidden by law.'

I am of the opinion that 'honor rolls' are not forbidden by section 97 of the Insurance Law of this State, always provided that the limitations as to expenses be not exceeded."

Nylic for Agents Contract Not Within Prohibition

Nylic for agents contract made prior to 1906, not within the prohibition against bonuses, prizes and rewards.

(See Op. A. G., Dec. 28, 1906.)

Banquet to Agents Prohibited

Extract from letter dated October 17, 1907, from the Superintendent to Mr. L. W. Post.

"You desire to be advised 'if a superintendent or district manager of an industrial insurance company violates the Armstrong law by offering prizes or a banquet to members of his staff to accomplish certain work.'

Section 97 of the Insurance Law of this State provides that 'all bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies writ-

ten or paid for, are prohibited.' This fully answers your question.

The section further provides that 'a foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the State.'"

Presents of Jewelry Prohibited

Extract from letter dated November 11, 1907, from the Superintendent to Mr. G. E. Smith.

"You write as follows:

'Two of the assistant superintendents of the staff of this district have in their possession some articles of jewelry, possessing no great value, which they desire to present to some of the members of their staff in recognition of services performed in the past, and we would ask if this would in any manner conflict with the recent insurance laws passed by the Legislature of this State.'

Section 97 of the Insurance Law provides as follows:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that the proposed action of your assistants would come within the prohibition of the section."

Gifts for Services Prohibited

Extract from letter dated January 24, 1910, from the Superintendent to Dow, Behm & Company.

"In your letter * * * you write as follows:

'* * * It has been the custom of the writer to secure a great many references and introductions from his old policyholders and usually a box of cigars or some similar acknowledgment of the favor received has been appreciated by a policyholder quite beyond the value of the expression of appreciation. Aside from this, we frequently receive from our policyholders a letter stating that they have a relative or friend who wants to take out some insurance, and asking if there is anything in it for them. What kind of a reply can we make to such an inquiry? * * * It is not a question of their soliciting insurance, or their being part-time men, or anything of the kind, it is merely sending us information that might result in our securing business.'

Such services as these you refer to may well be considered to be such as are referred to in the law."

Gifts of Money Prohibited

Extract from letter dated May 4, 1911, from the Superintendent to the Phœnix Mutual Life Insurance Company.

"* * * You ask:

'Would it be a contravention of section 97 of the Armstrong Law, to offer any sum, say $5.00, provided the agent writes business for say 10 consecutive weeks, or writes business for 10 consecutive weeks and remits with the application the net for the premium?'

It would be a violation of that provision of section 97 of the Insurance Law which reads as follows:

'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'"

Gift of Button Allowed

Extract from letter dated April 28, 1911, from the Superintendent to the Metropolitan Life Insurance Co.

"You ask:

'Is it objectionable under section 97 to award a button of trifling cost to agents who write a certain amount of Ordinary business within a year? Or to make them members of a club under a denomination indicating the amount of business written, membership in the club to involve only public mention, the award of a certificate and the giving of a button or pin of no intrinsic value and small cost?'

To this my answer is no."

(See also § 91.)

SUB. 7. RENEWAL COMMISSIONS

Company Cannot Take Credit for Loading of Premium in 1907 *Not Due Until* 1908 *and Pay Corresponding Commission in* 1907

Extract from letter dated April 3, 1907, from the Superintendent to Home Life Insurance Company.

"Your favor of the 28th ult., in further reference to 'the payment of renewal commissions on premiums received in advance,' has been received.

You cite the following practical example:

'A premium received in 1907 which is not due until 1908; the question is, can the company take credit for the loading of this premium and pay the corresponding commission in 1907.'

I am of the opinion that this cannot be done."

No Portion of Renewal Commissions Shall be Added to First Year Commissions

Extract from letter dated July 13, 1907, from the Superintendent to Mr. Leo Stein.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company, 'to make a contract with an agent whereby any portion of renewal commission may be applied toward the payment of commissions earned during the first year of the policy and in addition to ordinary full first year commissions.'"

Renewal Commission Clause Approved

Extract from letter dated August 27, 1907, from the Superintendent to Mr. C. M. Brown.

"You submit for consideration the following clause which you may desire to embody in your agency contracts:

'Renewal Commissions.

Providing this contract remains in full force and effect and that the party of the second part does not procure less than ..... a year from date hereof, in new paid life insurance business, then on all plans of insurance, except those which provide for no renewal commissions, there shall be payable to said party of the second part the following commissions:

..... % of the premiums, etc.....

.....

It being, however, understood and agreed that failure of the party of the second part in any particular year to furnish said $..... in new paid business shall only affect his renewal commissions on the business done during that year and shall not be operative as to the business done in the years in which the $..... quota of new business is furnished.'

I am of the opinion that there is nothing in the Insurance Law 'which would prevent a company from making a contract containing such clause,' provided the limitations of section 97 be not exceeded."

New Policy Issued in Accordance With Privilege Granted in Term Policy is New Insurance and Difference in Commission and Nine Renewals Can be Paid Thereon

Extract from letter dated February 21, 1908, from the Superintendent to John Hancock Mutual Life Insurance Company.

"You write as follows:

'We have a request to change a term policy issued in 1907 to another form, in accordance with the privilege granted in the policy, the new policy to date from the present time. In former times our custom was to make the change allowing the agent a commission according to the contract rate on the new policy for the difference in premium due under the new policy and that paid on the term policy and it would then run along as renewal business. We would like to ascertain if, under the new limitation of expenses under the New York law, this should be considered as new insurance and we can pay the difference in the commission and allow nine renewals on this new policy, or whether it must be treated as old insurance and in this particular case while paying the excess of commission due under the new policy on this form only pay the nine renewals from the date of the original policy.'

I am of the opinion that a policy issued 'in accordance with the privilege granted in the (term) policy' and not in a form therein set forth as a continuation of such contract, should be considered as 'new insurance' and that on it you can pay the difference in the commission and allow nine renewals."

Payment of Maximum Commissions not Required

Extract from letter dated December 18, 1909, from the Superintendent to Austin P. H. Mullarky.

"Your favor of the 11th inst., relating to contracts between managers and agents of life insurance companies, is received. Section 97 of the Insurance Law places certain limitations upon commissions which may be paid on new and renewal premiums; it does not require that the full amount allowable by law as commission on renewal premiums shall be paid in each and every case where a renewal commission may be due."

Collection Fee of 3% Cannot be Paid on Premiums on Which Renewal Commissions Are Paid, to Agent

Extract from letter dated February 1, 1911, from the Superintendent to the Fidelity Mutual Life Insurance Company.

"* * * You write:

'Kindly advise us whether or not under your interpretation of section 97 of the New York Insurance Laws, known as the Limitation of Expense Section, the company can in addition to the renewal commissions therein provided for

the first fourteen policy years allow the agent a collection fee not exceeding 3% of all premiums collected by him in his territory including premiums on which such renewal commissions are paid to such agent.'

I am of the opinion that you cannot legally pay a collection fee of 3% on 'premiums on which such renewal commissions are paid to such agent.'"

Company May Pay First Year and Renewal Commissions on Differences in Premiums

Extract from letter dated July 1, 1911, from the Superintendent to the Union Mutual Life Insurance Company.

"* * * From a letter from one of your State agents, you quote as follows:

'There is one thing I would like to bring up in connection with the convertible term and that is the commission allowed on conversion. I find that, without exception, the various general agents and managers to whom I have spoken, say that their companies allow them the first year's commission on the difference between the term rate and the convertible rate for the first year as well as the renewal commission on the difference in renewals.'

I am of the opinion that your company may pay first year and renewal commissions upon such differences in premiums."

Payment of Commissions on Renewal Premiums not Limited to Those Agents Who Secured the Business

Ruling of December 31, 1909.

"Section 97 of the law does not limit the payment of commissions on renewal premiums to those agents who secured the business."

Renewal Commissions to Sub-Agent Based on Amount of Business Written Allowed

Extract from letter dated October 25, 1906, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote, 'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited,' is to be read in connection with the sentence which immediately precedes it. I

am of the opinion that read in this connection or by itself alone it does not prohibit a general agent from making a contract with a sub-agent by which 'no renewals shall be allowed unless a given amount of business is written by the sub-agent within a year.'"

Renewal Contracts With Sub-Agents

Extract from letter dated May 13, 1910, from the Superintendent to the Prudential Insurance Company of America.

"You quote from an opinion given by this Department to the Massachusetts Mutual Life Insurance Company under date of Oct. 25, 1906, and add:

'I understand that this correctly expresses the attitude of your Department in connection with the matter therein referred to. Will you kindly advise me first, whether, in your opinion, a company would be justified in guaranteeing to a sub-agent the renewals provided for under a contract similar to that above referred to made by him with a general agent and, second, whether a company which, by the terms of its contract with its general agent, reserves the right to carry out a contract with a sub-agent would be justified in carrying out a contract containing such a provision in relation to renewals?'

To your first question my answer is no. To your second question my answer is yes."

Renewal Commissions to Sub-Agents Based on Amount of Business Prohibited

Extract from letter dated December 27, 1910, from the Superintendent to The Travelers Insurance Company.

"* * * You state:

'I am thinking of making a contract with a sub-agent, allowing him on life insurance first year's commissions and renewals at 5%, the number of which renewals will be governed by the amount of insurance he pays for in his contract year. For instance 5% if he pays for $25,000 business; two 5's if he pays for $50,000; three 5's if he pays for $75,000; four 5's if he pays for $100,000, and so on up to eight renewals at 5% for $200,000 of paid business in a contract year. Please inform me if there is anything illegal in such a contract.'

Section 97 of the Insurance Law provides that 'All bonuses, prizes and rewards and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'"

Renewal Contract of Special Agent With Manager Allowed

Extract from letter dated July 27, 1910, from the Superintendent to the Prudential Insurance Company of America.

"You ask:

'Will you kindly advise whether there is anything in the New York law prohibiting companies endorsing the contract of a special agent with a manager to guarantee carrying out the renewal agreement if same is conditional on the amount of business written, or otherwise?'

I would advise you that I know of no provision in the Insurance Law which would prohibit the making of such a contract, providing the limitations of section 97 be not exceeded."

Licensed Clerk May Receive Renewal Commissions

Extract from letter dated May 24, 1911, from the Superintendent to the Home Life Insurance Company.

"* * * You state:

'Several of our clerks here at the home office have licenses for writing life insurance, and devote some of their evening time to the procuring of business. So far we have refrained from making any renewal contract with these clerks, their compensation having been limited entirely to first year commissions. Now it seems to us desirable occasionally to give a clerk a right to renewal commissions for a term of years on business he may solicit and we shall be glad to know whether this practice is permissible under the law, and under the rulings of your department.'

As these clerks have licenses for writing life insurance it would seem that their compensation therefor should be fixed by your company, bearing in mind the limitations of section 97 of the Insurance Law."

Life Insurance Company May Purchase Renewals

Extract from letter dated October 30, 1906, from the Superintendent to The Germania Life Insurance Company.

"I know of nothing in the Insurance Law which prohibits a life insurance company from purchasing renewals. The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Idem

Extract from letter dated November 26, 1906, from the Superintendent to The Penn Mutual Life Insurance Company.

"There is nothing in the Insurance Law of this State which prohibits a life insurance company from purchasing renewals, either at the present time or after January 1, 1907."

Idem

Extract from letter dated September 16, 1908, from the Superintendent to The Penn Mutual Life Insurance Company.

"If the proposition to which you refer is made in good faith by an agent desirous of severing his relations with your Company, I am of the opinion that the purchase may be made provided the limitations of section 97 of the Insurance Law of the State of New York be not exceeded. If, however, it be proposed as a method of commuting renewals, it would fall within the prohibition of the statute."

Net Renewal Commissions May be Purchased of Agent Who Has Severed His Relations With Company, Provided Amount Does Not Exceed Limitations of the Law

Extract from letter dated March 27, 1911, from the Superintendent to Ætna Life Insurance Company.

"* * * You state:

'Our contracts with certain of our agents involve the payment to them (or their estates), in event of the termination of their contracts, of certain net renewal commissions during several years thereafter. Where the agent's active connection with the company has ceased (by death or otherwise) it has in some cases appeared to be desirable to all parties concerned for the company to purchase in one sum the renewal commission interest referred to. Kindly advise us whether there is any provision in the New York State law which would prohibit such a purchase provided the total amount so paid is within the limitations of section 97 of said law.'

I am of the opinion that there is no provision in the New York State law which would prohibit such a purchase, provided the total amount so paid is within the limitations of section 97 of said law."

Expense of Collecting Renewals May be Charged to Estate of Deceased Agent

Extract from letter dated March 4, 1911, from the Superintendent to the Citizens Savings Bank Building.

"* * * You state:

'My opinion has been asked respecting a contract between a life insurance company duly licensed in New York, and an important agent which provides for nine 7½ per cent. renewal commissions. In case of the death of the agent, the commissions as they accrue are payable to his estate. This agent collects the renewal premiums. His death would necessitate the collections by some other means. This probably would involve some collection expense. The question about which I am in doubt is whether section 97 of the New York law would prohibit the company incurring any expense, bank exchange or otherwise, in collecting renewal premiums if it had so obligated itself to pay the estate of the deceased agent the 7½ per cent. commissions.'

Under the conditions stated, I am of the opinion that the cost of the collections should be made a charge against the renewals to be paid to the estate."

Idem

Extract from letter dated September 29, 1911, from the Superintendent to the National Life Insurance Company.

"By due course of mail there has been received your favor of the 22d inst. making inquiry in relation to 'a contract with a new General Agent, such contract embodying the following conditions:

(1) Provision for the payment to said agent of first and renewal commissions on such business as he may produce within the limits of section 97;

(2) Provision for the payment to said agent of a stipulated salary as compensation for the specific service of collecting old renewals (in which renewals the said agent has no commission interest) as follows:

(a) A portion of said old renewals, representing business written by a former agent prior to January 1, 1907;

(b) A portion of said renewals representing business written by a former agent since January 1, 1907, and upon which renewals the company stands pledged to the payment to the estate of a former agent, deceased, of the balance of a full nine year renewal commission at 7½% and five additional years at 5% without deduction.'

You state:

'The intent of this inquiry being to determine:

First: Whether there is anything in the New York law that prohibits a company from paying an agent or collector for his services in collecting premiums on business written since January 1, 1907, which premiums are already subject to contractual commission payment to a former agent, or

to his estate, for the full term of fourteen years after the first year of insurance.

Second: Whether the payment of a salary to a new agent for the specific purpose of collecting old business would operate to reduce by one-third the renewals upon such new business as such new agent might produce.'

In connection with your first inquiry would state that while I have no knowledge of the date of the contract or contracts with your 'former agent,' I would call your attention to the following extract from the opinion of the Attorney-General, bearing date June 10, 1909:

"The opinion of the Attorney-General under date of January 27, 1908, under the decision of the Appellate Division, Third Department, in Boswell v. Security Mutual Life Insurance Company, 119 App. Div. 723, held that section 97 was not a limitation of the aggregate expenditure which could be made by life insurance companies but applied to each particular agent and limited the amount which could be paid to him to a certain proportion of the first premiums received by him.

The Court of Appeals reversed the decision of the Appellate Division in December, 1908 (193 N. Y. 465) and in view of this decision and at the request of the Superintendent of Insurance, the Deputy Attorney-General in charge rendered the opinion of December 28, 1908, to which you refer. In this opinion he referred to the reversal of the Boswell case by the Court of Appeals, and then stated 'in the absence of a controlling judicial interpretation to the contrary, it is my opinion that the plain reading of this limitation applies to aggregate expenses of the corporation for the purposes specified.'

I have carefully examined these two decisions and am convinced that when the opinion of December 28, 1908, was written the deputy in charge could not have had before him a copy of the opinion of the Court of Appeals. From an examination of that opinion, it is clear that the Court of Appeals does not pass upon the interpretation of section 97 made by the Appellate Division. Its decision is merely that this section has no application to contracts with agents entered into before its enactment. The discussion of the opinion is entirely confined to this question and the holding is made that section 97 is prospective rather than retrospective. Furthermore, although the interpretation of the Appellate Division is not expressly considered, the court, by implication, adopts that interpretation because the main ground upon which it holds that the statute must be regarded as prospective is that otherwise it would impair the obligation of contracts entered into before its passage. It is obvious that if the section had application only to an aggregate limitation, it would not necessarily prevent the payment of more than the statutory appropriation to any one agent. So long as the aggregate expenditures were not in excess of the aggregate appropriations on new premiums allowed to be used by the statute, there would be no violation of the law even if in individual instances agents received more than this allowance, computed on their own new policies, would produce. It is clear, therefore, that the Court of Appeals did not in any way modify the interpretation of section 97 adopted by the Appellate

Division, and that, on the contrary, it gave such interpretation its implied sanction.

I, therefore, advise you to disregard the opinion of the Deputy Attorney-General dated December 28, 1908, and to be guided as to the proper interpretation of this law by the opinion of January 27, 1908, setting forth the decision of the Appellate Division in this case.

I also advise you that under the decision of the Court of Appeals this section is to have no effect whatever upon contracts with agents entered into before its passage."

In contracts entered into after the passage of the so-called "Armstrong Laws" the company should have protected itself against the possibility of having to pay costs of collection, through salary or otherwise, in addition to renewal commissions which include payment for cost of collection. In connection with this I would call your attention to the enclosed copy of a letter dated March 4, 1911, from the Superintendent to Mr. A. I. Vorys, Columbus, Ohio, in relation to a contract such as that you mention.

"Your favor of the 1st inst., has been received. You state: My opinion has been asked respecting a contract between a life insurance company duly licensed in New York, and an important agent which provides for nine 7½ per cent. renewal commissions. In case of the death of the agent, the commissions as they accrue are payable to his estate. This agent collects the renewal premiums. His death would necessitate the collections by some other means. This probably would involve some collection expense. The question about which I am in doubt is whether section 97 of the New York law would prohibit the company incurring any expense — bank exchange or otherwise — in collecting renewal premiums if it had so obligated itself to pay the estate of the deceased agent the 7½ per cent. commissions.

Under the conditions stated, I am of the opinion, that the cost of the collections should be made a charge against the renewals to be paid to the estate."

As to your second inquiry; holding that you may not pay cost of collection in addition to renewal commissions, it is hardly necessary to add that this can not be evaded by reducing other commissions lawfully payable."

Renewal Commission Amendments Passed in 1909, *Take Effect May* 7, 1909

Extract from letter dated May 14, 1909, from the Superintendent to Mr. Charles L. Behm.

"You ask to be advised 'whether the law relative to renewal commissions paid to agents and collection fees does not permit the company to pay these additional commissions on all business

written since January 1, 1907, when the Armstrong Law went into effect.'

I am of the opinion that the amendments to section 97 of the Insurance Law which took effect May 7, 1909, 'permit the company to pay these additional commissions on all business written since' that date only."

Idem

Extract from letter dated May 18, 1909, from the Superintendent to the Berkshire Life Insurance Company.

"You write as follows:

'As we are anxious to give our general agents the benefit of the revisions in the life insurance laws of New York, I would thank you if you would kindly tell me the date upon which these laws took effect. Could the additional renewals from the 11th to the 15th year under the law be applied to all business written under the Armstrong Law since January 1, 1907; or does it apply only from the date on which the law took effect?'

The amendments to section 97 of the Insurance Law allowing the additional renewals to which you refer apply only to business written on and after May 7, 1909, the day on which they took effect."

Amendments of 1909, *Allowing Additional Renewal Commissions not Retroactive*

Extract from letter dated June 26, 1909, from the Superintendent to The Penn Mutual Life Insurance Company.

"I am clearly of the opinion that the amendment to section 97 of the Insurance Law increasing the number of renewal commissions which may be paid to agents is not retroactive; this amendment was contained in chapter 301 of the Laws of 1909, which took effect May 7, 1909, and applies only to business written on and after that date under agency contracts entered into on and after said date."

Amendment Increasing Number of Renewals, Not Retroactive to May 7, 1909

Extract from letter dated February 14, 1911, from the Superintendent to The Fidelity Mutual Life Insurance Company.

"Your favor of the 10th inst., referring to the amendment to section 97 of the Insurance Law, increasing number of renewals

that may be paid to agents, was received * * *. You ask: 'Is the amendment to section 97 retroactive to May 7, 1909?'

To this my answer is no."

SUB. 8. COMMUTATION OF RENEWAL COMMISSIONS

Company May Not Commute Renewal Commissions and Add Commuted Amount to Commissions on First Year's Premiums

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the commuted amount to commissions on first year's premiums."

Commuted Commissions Cannot be Added to First Year Commissions

Extract from letter dated January 2, 1907, from the Superintendent to the Bankers Life Insurance Company.

"* * * There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the first payment to the first year's commission."

No Gross Payment in Lieu of Renewal Commissions

Extract from letter dated December 13, 1906, from the Superintendent to Mr. Lathrop E. Baldwin.

"* * * You quote from section 97 of the Insurance Law the provisions relating to the commutation of renewal commissions and ask:

'Under such clause of law, can a company pay as brokerage, no further commission compensation *on case* to be received by agent, a lumped sum of the first year's commission allowed by law and at same time two renewal commissions of 7½ per cent. each, making gross payment on first year of first year's commission and 15 per cent.'

In reply, would state that I am of the opinion that such a gross payment would not be in accordance with the law. * * *"

Commuted Renewal Commissions are Payable only from Renewal Premiums

Extract from letter dated July 8, 1909, from the Superintendent to Mr. Charles S. Fowler, Second Deputy Superintendent of Insurance.

"You state that 'the first payment of renewal commissions is paid the first year of the policy in addition to the commission for the first year' and ask for a ruling as to the propriety of these payments.

There is no provision of section 97 of the Insurance Law which permits a life insurance company to add the first payment of renewal commissions to the first year's commission."

Commutation including Collection Fee Approved

Extract from letter dated October 30, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You state:

'In the table already alluded to, which was submitted to you under date of September 11, we did not take advantage of the full present value of commissions running over a period of nine years and we now desire to submit a supplemental table which includes the present value of a collection fee of 2 per cent. in the four years following the last year in which we propose to pay a renewal commission of 10 per cent.

'It will be seen that in each case the present value on a 3½ per cent. basis of a renewal commission of 10 per cent. for five years and a 2 per cent. collection fee for the remaining four years is less than the present value of renewal commissions of 7½ per cent. for nine years and we beg to ask for your approval of our proposal to pay a collection fee of 2 per cent. from the seventh to the tenth year inclusive.'

Your proposal to pay a collection fee as aforesaid has my approval."

Rates for Commuting, When Approved

Extract from letter dated October 23, 1906, from the Superintendent to The Western Underwriter.

"Approval of a proposed rate for commuting renewal commissions, or an opinion as to its fairness, can only be given when some company makes application accompanied by a schedule showing the figures upon which the application is based."

Proposed Rate of Commutation Approved

Extract from letter dated September 17, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Your proposal to pay 10 per cent. renewal commissions for five years upon certain of your policy issues, instead of 7½ per cent. for nine years as provided in section 97 of the Insurance Law, has my approval."

(See also letter, dated October 30, 1906, from the Superintendent to Metropolitan Life Insurance Company, above.)

Idem

Extract from letter dated October 11, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your proposal to pay 15 per cent. renewal commissions for three years upon certain of your policy issues instead of 7½ per cent. for nine years and to pay 10 per cent. renewal commissions for three years upon certain other policies instead of 5 per cent. for nine years, as provided in section 97 of the Insurance Law, has my approval."

Idem

Extract from letter dated November 14, 1906, from the Superintendent to the New York Life Insurance Company.

"Your proposal is:

'In an agency district subject to the supervision of a local salaried representative to pay on 10 and 15-year endowment policies a renewal commission of 6 per cent. for four years, or 5 per cent. for five years, in lieu of the 3⅓ per cent. for nine years allowed by section 97 of the Insurance Law.'

This has my approval."

Idem

Extract from letter dated November 26, 1906, from the Superintendent to The Prudential Insurance Company.

"In certain cases in districts where you have local supervising representatives, you propose to 'pay five renewal commissions of 5 per cent. each on ten and fifteen-year endowments, instead of nine renewals of 3⅓ per cent. each.'

This has my approval."

Idem

Extract from letter dated January 3, 1907, from the Superintendent to the Equitable Life Assurance Society.

"Your proposals to pay 15 per cent. for three years in lieu of 7½ per cent. for nine years and to pay 10 per cent. for five years and 2 per cent. collection fees for four years in lieu of 7½ per cent. for nine years, have my approval."

Idem

Extract from letter dated March 20, 1907, from the Superintendent to the New York Life Insurance Company.

"You state:

'We desire to have your authority for paying the following in lieu of nine renewal commissions of 5 per cent. each on the ordinary life, limited payment life, and endowments paid by twenty or more premiums, and in lieu of nine renewal commissions of 3 per cent. each on 10 and 15-year endowments:

	RENEWAL COMMISSIONS		
PLAN	2d year	3d year	4th year
Ordinary life	12%	12%	6%
Limited payment life	12	12	6
Endowments paid by 20 or more annual premiums	12	12	6
Ten and 15-year endowments	8	8	4

Enclosed are sheets showing our calculations, based upon our mortality and lapse rates.'

The proposed rates have my approval."

Idem

Extract from letter dated April 18, 1907, from the Superintendent to the Mutual Life Insurance Company.

"Your proposal to pay two renewals of 9 per cent. and seven renewals of 2½ per cent. in lieu of nine renewals of 5 per cent. has my approval."

Idem

Extract from letter dated December 22, 1908, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 21st inst., reading as follows:

'Under date of October 26, 1906, we submitted for your consideration a table based upon mortality and lapse rates for the purpose of securing your approval to our proposition to commute nine renewal commissions of 7½ per

cent. to five renewals of 10 per cent. with 2 per cent. collection fee for the remaining four years.

We now beg to submit for your approval our proposition to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years; and also a table of commuted values which shows that the present value of these commissions is less than the present value of nine renewals of 7½ per cent. each.'

Your proposal 'to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years,' has my approval."

Idem

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Home Life Insurance Company.

"Your proposal to commute commissions on the following scales: (1) 14 per cent. the first year, 12 per cent. the second year and 10 per cent. the third year; or (2) three commissions of 12 per cent. each, in lieu of nine renewals of 7½ per cent. each, has my approval."

Idem

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Manhattan Life Insurance Company.

"Your proposal to commute nine renewals of 7½ per cent. to three renewals of 15 per cent., and to commute nine renewals of 5 per cent. to three renewals of 10 per cent., has my approval."

Idem

Extract from letter dated June 29, 1909, from the Superintendent to the Phœnix Mutual Life Insurance Company.

"You write:

'In lieu of the nine 7½ per cent. and five 5 per cent. renewals I would request one 12 per cent. renewal, eight 7½ per cent. renewals and five 2 per cent. renewals, and in lieu of such commutation the company would like to employ also the alternative commutation of two 10 per cent. renewals, seven 7½ per cent. renewals and five 2 per cent. renewals.

On premiums under which the company is allowed to pay fourteen 5 per cent. renewals we would respectfully request the privilege of paying one 9½ per cent. renewal, eight 5 per cent. renewals and five 2 per cent. renewals, and in lieu thereof the company would like to employ also the commutation of two 7½ per cent. renewals, seven 5 per cent. renewals and five 2 per cent. renewals.'

The rates for commutation stated above have my approval."

Idem

Extract from letter dated August 17, 1912, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"You state:

'We have in contemplation a change in our agents' contract whereby in lieu of a 5 per cent. commission on the eleventh to the fifteenth premiums, both inclusive, we shall grant an extra commission of 5 per cent. on the second premium, or an extra commission of 2½ per cent. on both the second and third premiums. We assume that such an arrangement will meet with your approval, as we understand that several companies have now in force an arrangement of this nature.'

The proposed commutation is approved, provided the general limitation of the section be not exceeded."

Idem

Extract from letter dated December 6, 1912, from the Superintendent to the Mutual Life Insurance Company.

"You refer to certain rates of commutation of renewal commissions approved by the Superintendent under date of March 30, 1907, and state that 'Thereafter, the law was amended authorizing companies to pay five additional renewal commissions of 3⅓ per cent. each on the renewal premiums of the tenth to the fourteenth years, respectively. In lieu of these five additional renewal commissions, we wish your authority to pay five renewal commissions of 1 per cent. each on the renewal premiums of the second to the sixth years.'

Your proposal to pay additional renewal commissions of 1 per cent. each on the first to the fifth renewal premiums, in lieu of the renewal commissions of 3⅓ per cent each authorized by the law on the tenth to the fourteenth renewal premiums has my approval."

Approval not Required for Commutation Less than Rate Already Approved

Extract from letter dated March 20, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"I am of the opinion that the clause in section 97 of the Insurance Law which you quote: 'Provided that an amount found to be equivalent to the aggregate amount so payable upon a fair

commutation approved by the Superintendent of Insurance and based upon mortality and lapse rates may be distributed through three or more years but not more than two-fifths of such amount shall be payable for any one year,' does not require the approval of the Superintendent in those individual cases where the amounts proposed to be paid are less than those that might be paid under a ruling of the Superintendent, previously given in relation to commuting renewal commissions."

Rule of Two-Fifths, How Applied

Extract from letter dated April 14, 1909, from the Superintendent to the Home Life Insurance Company.

"Your favor of the 9th inst. referring to my letter of February 13, 1909, approving the commutation of commissions proposed by your Mr. Marshall, has been received.

You state that one of your general agents wishes to have the privilege of paying to his sub-agents three commuted renewal commissions well within the permission of February 13th, and add that a question has been raised as to whether the phrase in section 97 of the Insurance Law, 'but not more than two-fifths of such amount shall be payable for any one year,' can be held to apply to the case in question, since the first commuted renewal is more than two-fifths of the total of the three renewal commissions which your general agent proposes to pay to his sub-agent.

I am of the opinion that the words quoted apply to the maximum commuted renewal commission approved on February 13, 1909, and that your general agent could with propriety pay to his sub-agent 14 per cent. renewal commission the second year and no further renewals thereafter."

Restrictions as to Commutations Apply Where Agent Goes to Another State

Extract from letter dated February 10, 1911, from the Superintendent to The Mutual Benefit Life Insurance Company.

"* * * You state that the second case relating to the commutation of commissions 'is that of a general agent who was transferred from North Dakota to California; his North Dakota contract being terminated, he desires to have the company com-

mute the renewal commissions on his North Dakota business. What restrictions govern us with respect to this?'

I would advise you that the same restrictions apply to this as to other cases of commutation."

Provisions of Insurance Law Relative to Commutation of Commissions Permissive, Not Mandatory

Extract from letter dated February 18, 1911, from the Superintendent to Mr. Patrick McKenney, Philadelphia, Pa.

"* * * You write as follows:

'I would thank you very much if you would please to state whether under the New York law, life insurance companies can commute agents' commissions if they want to.

Or whether under the said law, they are compelled to commute commissions if requested.'

That provision of section 97 of the Insurance Law which relates to the commutation of commissions, is permissive and not mandatory."

SUB. 9. AGENCY SUPERVISOR

Persons May Occupy Dual Position of Agency Supervisor and Personal Producer, Provided Expenditures Do Not Exceed Limitations Mentioned in Section

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"There is nothing in the Insurance Law which prevents you from employing persons in the dual capacity stated (agency supervisor and personal producer) nor which prohibits the 'payment to such persons of a commission for new business written by them personally, besides a salary as agency supervisor,' provided that in the aggregate the expenditures on account of new business do not exceed the limitations set forth in section 97 of the law."

Remaining One-third of Renewal Commission May Accrue to the Agency Supervisor or Manager

Extract from letter dated November 14, 1906, from the Superintendent to The Germania Life Insurance Company.

"You write:

'According to section 97 of the new laws, the renewal commission to district agents shall not exceed two-thirds of the foregoing rates,' i. e., 7½ per cent. and 5 per cent. during nine years.

We assume that in all equity and according to the spirit of the law, the remaining ⅓, i. e., 2½ and 1⅔ per cent. accrue to the agency supervisor or manager who, according to the ruling of your favor of August 10, 1906, can act in the dual capacity of supervisor and personal producer.'

In my opinion your assumption is correct."

Agent, Partly Personal Producer and Partly Assistant to Other Agents is Salaried Representative with Reference to Reduction in Renewal Commissions of other Agents in his District

Extract from letter dated January 2, 1907, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"You ask:

'In your opinion is a person under contract with our company upon our regular general agent's form who is himself a personal producer and a part of whose duties is to solicit for applications and who also assists other general agents of the company in his locality in closing business and who may recommend to the company other individuals for contracts with the company, to whom advances are made and whose compensation is determined by a commission upon the business done by himself and that done by agents whom he may, at the request of the company, assist in their work, such a local salaried representative as is contemplated by that provision in section 97 of the present laws of the State of New York in reference to insurance as would work a reduction in the renewal commissions of other agents in his district?'

To this my answer is yes."

(See also § 103, sub. 8-c.)

SUB. 10. LOAN OR ADVANCE TO AGENT

If Made by General Agent on Behalf of Company Prohibited; Otherwise Not

Extract from letter dated June 21, 1906, from the Deputy Attorney-General to the Superintendent of Insurance.

"If, therefore, it could be shown that the general agent made the loan or advance on behalf of the insurance company, or under any agreement with it, it is within the prohibition of the statute; otherwise not."

Advances Against Renewal Commissions Must Cease Jan. 1, 1907

Extract from letter dated July 10, 1906, from the Superintendent to The National Life Insurance Company of Vermont.

"I am in receipt of your favor of the 5th inst., relating to the following paragraph of section 97 of the Insurance Law of this State:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

It is my opinion that the operation of this paragraph is deferred until January 1, 1907."

General Agent Who Makes Loans to Soliciting Agent in Same Company is Making Loans on Behalf of Company

Extract from letter dated March 31, 1909, from the Counsel to the Department to Mr. Charles T. Brockway.

"The Department cannot see how it can be said that a general agent who makes advances or loans to an agent who is soliciting business for the insurance company represented by the general agent is not making such advances or loans on behalf of the insurance company. Accordingly, we should say that such advances or loans, if made, would be in conflict with the laws of this State."

The Words "Loan" and "Advance" are to be Considered as Synonyms and May Not Now be Made on the Security of Renewal Commissions Arising under a Contract in Effect Before the Passage of the Present Law Unless Specifically Provided for Therein

Extract from letter dated April 5, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"Your favor of the 2d inst., relating to a loan to an agent, has been received.

You quote that part of section 97 of the Insurance Law which prohibits the making of loans or advances upon the security of renewal commissions and write as follows:

'The opinion of the State authorities is respectfully asked upon the definition of the term 'advance.' Suppose a company were to make a loan to an agent upon the basis of renewal premiums to which he had become entitled under a contract and business in effect before the establishment of the present law, would such a loan, if lawful in itself, constitute in any sense an 'advance,' within the meaning of this section?'

I am of the opinion that for the purposes of the law the words 'loan' and 'advance' are to be considered as synonyms and

further that no loan or advance may now be made upon the security of renewal commissions arising 'under a contract and business in effect before the establishment of the present law,' unless such contract specifically provided for the making of such loan or advance."

(See § 101, new, subs. 7 and 8, "Policy Loans.")

SUB. 11. ADVANCES AGAINST FIRST YEAR COMMISSIONS

Advances to Agents on Sole Security of Compensation to be Earned by Writing New Business Allowed

Extract from letter dated October 5, 1907, from Superintendent to The National Life Insurance Company.

"Your favor of the 25th ult. relating to the phrase 'except advances against compensation for the first year of insurance,' was received. * * *

You ask if this phrase, found in that provision of section 97 of the Insurance Law which prohibits the making of any loan or advance without adequate collateral security, 'does authorize advances to agents upon the sole security of compensation to be earned by writing new business.'

I am of the opinion that the phrase does authorize such advances."

But Such Advances Must be Made in Good Faith

Extract from letter dated July 12, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that advances may be made to agents so long as the aggregate of the four items for the first year's expenses does not exceed the maximum provided by law and provided always that the advances are made in good faith."

Advances Against Renewal Commissions on and after January 1, 1907, Prohibited

Extract from letter dated December 20, 1906, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"Your favor of the 15th inst. relating to advances to agents has been received.

Section 97 of the Insurance Law provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

This very clearly prohibits the making of advances against any renewal commissions on and after January 1, 1907."

SUB. 12. DOMESTIC CORPORATIONS OR FOREIGN CORPORATIONS

Law is Silent as to Contracts of General Agents with Their Sub-agents

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"The limitations as to expenses apply to life insurance companies doing business within this State. As to contracts of a general agent with his sub-agents the law is silent."

Foreign Companies Must Comply with Section

Foreign companies must comply with section 97 as to limitation of expenses.

(See Op. A. G., Sept. 1, 1906.)

Last Sentence of Section Applies to Life Insurance Corporations of Other States

Extract from letter dated October 5, 1906, from the Superintendent to The National Life Insurance Company.

"The last sentence of this section reads as follows:

'This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively.'

This applies equally as well to life insurance corporations of other States as to those of this State."

Section Applies to Foreign Life Insurance Companies Doing Business in This State

Extract from letter dated November 15, 1906, from the Superintendent to Mr. W. A. Barton.

"Your favor of the 12th inst., relating to limitation of expenses of foreign life insurance companies, has been received.

Computations for expenses are to be made by calendar years irrespective of the localities where policies are issued or delivered.

The provisions of the Insurance Law relating to the expenses of life insurance companies, apply to all life insurance companies doing business within this State."

Idem

Extract from letter dated October 3, 1912, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"Section 97 of the Insurance Law provides certain limitations for expenses of domestic life insurance corporations. The section further provides: 'A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the State.'"

Limitation Applies to General Agents of Foreign Companies Authorized to Do Business in This State Wherever Said Agents May be Located

Extract from letter dated October 7, 1907, from Superintendent to The Eastern Underwriter.

"Your favor of the 4th inst. in which you quote from my letter to Mr. Charles Jerome Edwards under date of September 26, 1907, has been received.

I am of the opinion that the clause you quote, 'The legislative intent was that no life insurance corporation nor agent thereof should expend or become liable for expenses in excess of the limitation prescribed,' does apply to general agents of life insurance companies of other States authorized to do business in this State, wherever said general agents may be located."

New York Company Reinsuring Business of Foreign Company May Not Assume Contracts to Pay First Year and Renewal Commissions in Excess of Maximum Allowed by New York Laws

Extract from letter dated October 9, 1911, from the Superintendent to the Travelers Insurance Company.

"* * * You state:

'There is a small, young life company in the West which I understand is solvent and legally conducted, but for reasons of its own (which I assume are not subject to criticism) wishes to reinsure its entire business. Its rate of commission the first year and its renewals and its general expense rate have been in excess of the maximum allowed under the New York Law. The company has never done business in the State of New York. Its agents have contracts with the company entitling them to renewal commissions in excess of the maximum allowed by the New York Insurance laws. Would it be lawful for the Travelers Insurance Company, which is doing business in the State of New York and intends to continue doing business in the State of New York, to reinsure the business of this company; and in the case of such business as is reinsured and continued in force, pay to the original agents the full commissions, first year and renewals, called for by their contracts on all premiums collected on the reinsured policies after date of reinsurance, assuming that in many cases the amount would be materially in excess of the maximum allowed under the New York Law?'

The limitations of section 97 of the Insurance Law as they apply to your company must not be exceeded."

SUB. 14. STOCK CORPORATIONS, WHEN EXCEPTED

Stock Company Not Relieved from Limitations as to Renewal Commissions

Extract from letter dated June 4, 1907, from the Superintendent to The Washington Life Insurance Company.

"Your favor of the 27th ult., relating to the last clause of section 97 of the Insurance Law, has been received.

You wish to be advised whether, or not, under the clause referred to 'a stock company is relieved from limits as to renewal commissions.'

In my opinion this clause which relieves 'stock corporations issuing and representing themselves as issuing non-participating policies exclusively,' from the application of certain provisions of the section, does not relieve such corporations, 'from limits as to renewal commissions.'"

Section 98 — Salaries of Officers and Agents — When Fixed by Board of Directors

SUB. 2. CONTRACT FOR SALARY LIMITED TO TWELVE MONTHS

Salaries of Officers Must be Fixed at Least Once Every Year

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * * * * * * *

'11. That section 98 of the Insurance Law prohibits a domestic life insurance company from making salary agreements with its officers which will extend beyond a period of twelve months from the date of such agreements, and that, therefore, the salaries of the officers of such a company must be fixed at least once every year. * * *'"

(See also § 97, sub. 5.)

SUB. 3. PENSION TO OFFICER, DIRECTOR OR TRUSTEE FORBIDDEN

Company May Establish Pension Fund for Employees Other Than Officers and Directors

Extract from letter dated October 1, 1908, from the Superintendent of Insurance to The Germania Life Insurance Company.

"* * * This Department will recognize the power of your company to lawfully establish a fund and a system of distributing a pension among its employees other than officers and directors. * * *

Under the provisions of the Insurance Law it is important that there shall not be any contractual relations between the company and its employees as to a pension fund. No contract with employees may be made or extended with any provision to the effect that the employee shall participate in the pension fund as a consideration for his employment. Payments from the pension fund so established must be voluntary on the part of the company and provided for in such manner that payments can be suspended or terminated at any time and if so suspended or terminated the employee shall have no cause of action against the company."

Section 100 — Investments

SUB. 1. BONDS SECURED BY ADEQUATE COLLATERAL SECURITY

Investment in Railroad Collateral Improvement Notes Prohibited

Extract from letter dated May 18, 1906, from the Superintendent to The Equitable Life Assurance Society.

"Your communication of the 15th instant *in re* purchase of $5,000,000 of the Pennsylvania Company's proposed issue of Collateral Improvement Notes maturing December 1, 1907, and requesting Department approval thereto, is received.

The securities in question fall in that class expressly referred to in section 36 of chapter 326 of the laws of this year (§ 100 of the Insurance Law) as investments not allowable after June 1, 1906. For that reason, I do not feel that the Department can give approval to such a purchase at this time, believing that such an act would be in contravention to the spirit of the amended insurance law."

Meaning of the Words "Government" and "Adequate Collateral Security"

Extract from letter dated September 6, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

"Your favor of the 1st inst. relating to loans on bonds by life insurance corporations, is received. Replying to your first question, I would state that the word 'government,' as used in section 100 of the Insurance Law, is not necessarily limited to the United States. * * * Life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business. To your second question I would reply that sections 16 and 100, read together, limit the collateral which may be accepted to such securities as the corporation is authorized to invest its surplus funds in. * * * The provision of section 100, that a corporation shall not 'loan upon any bonds or obligations which shall not be secured by *adequate collateral security,* * * *' applies to those bonds or obligations of private corporations whose issue is based upon the deposit of shares of stock. * * *"

Idem

Mere unsecured additional promises of parties already liable to pay bonds are not adequate collateral security.

(See Op. A. G. Aug. 9, 1911.)

SUB. 3. APPROVAL OF SALES OF STOCK

Sales of Securities may be made without first Obtaining Approval of Superintendent

Extract from letter dated May 28, 1906, from the Superintendent to Home Life Insurance Company.

"Replying to your letter of the 23d inst., it is my opinion that under the provisions of section 36 of chapter 326 of the session laws of this year (§ 100 of the Insurance Law), the directors of your company are at liberty to sell stocks and securities in such amounts and at such times as the directors shall deem best, and thereafter report such sales to this Department. I am not of the opinion that it will be necessary to first obtain my approval in writing before such sales are made."

Promissory Notes Secured by Pledge of Stocks Sold May Not Be Accepted

Domestic life company owning stocks of certain corporations may not sell same in consideration for promissory notes secured by such stock sold.

(See Op. A. G., March 4, 1908.)

Question of Investment in Unauthorized Securities within Discretion of Superintendent

The question of whether a life company in order to comply with section 100 requiring a company to make each year such reduction of its holdings of a certain class of securities as shall be approved by the Superintendent of Insurance, may acquire as a part of the transaction certain securities in which it is forbidden to invest, is one which lies within the discretion of the Superintendent.

(Op. A. G. Dec. 16, 1911.)

Investment in Bonds of Southern Canadian Railway

(See Op. A. G. Dec. 26, 1912, § 16, sub. 6.)

Investment in Railway Equipment Notes

(See Op. A. G. June 16, 1913, § 16, sub. 5.)

SUB. 4. AUTHORIZATION OF INVESTMENT BY BOARD OF DIRECTORS

Surplus May Be Invested in Bonds of Any Private Corporation

(See letter dated Sept. 6, 1906, from the Superintendent to the Security Mutual Life Insurance Company, § 16, sub. 3.)

Loans on Collateral by Domestic Life Insurance Company Must be Made by Board of Directors, or by a Committee Thereof

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

1. That loans on collateral made by a domestic life insurance company must be made either by the board of directors of such company or by a committee thereof charged with the duty of supervising such loans; and that, consequently, loans made by the president or any other officer of such a company, merely on an authorization from the board of directors or such a committee, are not made in accordance with section 100 of the Insurance Law. It is thought that this view applies also to substitutions of collateral after such a loan shall have been made. * * *"

Control Over Insurance Property May Not Be Vested in Outside Party

An insurance company may not enter into a bondholders' agreement whereby trustees under the same have irrevocable authority over and legal title to the bonds on which the company has a lien is vested in outside trustees.

(See Op. A. G. Jan. 17, 1908.)

(See also Rulings cited under Section 16—Investment of Capital and Surplus.)

Section 101 (Old) — Standard Forms of Policies

SUB. 1. APPLICATION OF SECTION

Foreign Life Companies Required to Use Standard Policy Form

Foreign companies must write policies in New York on the standard form.

(See Op. A. G. June 20, 1906.)

Foreign Life Insurance Companies Not Required to Issue Standard Policy Forms

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that foreign life insurance corporations are not required to conform with the standard forms of policies provided for in the act. Section 101, which sets forth in detail the four standard forms, specifically refers to all policies of insurance other than industrial policies issued or delivered within this State by any *domestic* life insurance corporation."

Forms of Policies Issued by Life Insurance Corporations of Other States

Extract from letter dated December 2, 1907, from the Superintendent to Berkshire Life Insurance Company.

"Section 101 of the Insurance Law of this State relating to standard forms of policies applies only to those issued by domestic life insurance corporations. The Superintendent is charged with no duties in connection with the forms of policies issued by life insurance corporations of other states doing business within this State, and can express officially no opinion thereon."

Translation of Standard Policy into French Language

Extract from letter dated October 26, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"Your favor of the 25th inst. relating to standard forms of policies to be issued by your company for delivery in the Province of Quebec, is received.

I am of the opinion that, for the purpose stated, a translation into the French language of the standard policy forms prescribed in section 101 of the Insurance Law, would be a compliance with the requirements thereof."

Policies Issued to Residents of New York State in 1906 *and Paid for in* 1907 *Must Be Recalled if Not Written on Standard Forms*

Extract from letter dated November 21, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You ask:

'Whether policies issued in 1906 on which the first premium is paid in 1907 are to be considered as having been issued in 1907, as would ordinarily

be the case with policies reported in this manner, and, if so, would it be necessary to recall all such policies and reissue them on standard forms?'

To this my answer is yes."

Deferred Dividend and Non-Participating Plans in Mutual Company Issued in 1906, *Not Completed Until* 1907

Extract from letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company.

"As to your inquiries on the question as to what business the provisions of the new Insurance Law relating to deferred dividends, prohibiting both participating and non-participating insurance, requiring standard forms of policies, relating to surrender values, will apply; that is, whether business commenced in 1906 but not completed until 1907 will come under the new law or not, I have to say I have considered that provision in all the application forms used by your company as follows:

'That the insurance hereby applied for shall not take effect unless the premium is paid and the policy delivered to me during my lifetime and that, unless otherwise agreed in writing, the policy shall then relate back to and take effect as of the date of this application.'

I have also considered your customary forms of policies which contain no date, but which do provide that: 'This policy shall take effect as of —— day of ——— 190—;' the blanks in the above form being filled in with the same date as contained in the application. Under this state of facts, in my opinion, the business so done will be deemed business for the year in which the application is dated and it is agreed that the policy shall become effective and the provisions of law in force at the date of the application will control the contract."

Endorsements on Standard Policies

Extract from letter dated December 3, 1906, from the Superintendent to The Equitable Life Assurance Society.

"As endorsements on the backs of standard policies or supplementary contracts are no part of the contracts, I prefer to express no opinion in regard to them."

Special Clause in Standard Form When Insured is About to go to Tropics

Extract from letter dated December 13, 1906, from the Superintendent to New York Life Insurance Company.

"From your favor of the 11th inst. I quote as follows:

'We occasionally have a case of a party residing in the State of New York at the time when we insure him, but who is about to go to the Tropics. In such a case we charge the suitable premium for the region to which the party is going and place a special clause in the policy agreeing that, if he returns and takes up his residence again in a temperate zone, the premium shall be reduced to the domestic rate. Is it proper for us to insert such a special clause in issuing a policy on the standard form?'

In my opinion the insertion of such a clause in the policy form under the circumstances mentioned would be proper."

Endorsements on Standard Forms

See § 58, sub. 3.

Removal of Lien Under Deferred Dividend Policies

Extract from letter dated January 24, 1907, from the Superintendent to New York Life Insurance Company.

"Your favor of the 17th inst., relating to substandard or under-average risks with liens and deferred dividends, was received by due course of mail.

You state:

'It happens occasionally that, upon re-examination of the insured within some months after his insurance or upon further information of the facts, we find the risk a better one than we had rated it at the time of the original application and in such cases we are sometimes willing to remove the lien, issuing a changed policy from the original date covering the full face of the insurance.

The question is whether such a change as this, which increases the amount of immediate protection upon the life though not the amount of ultimate protection, is the issue of new insurance upon the deferred dividend plan in the year 1907.'

I am of the opinion that such a change as mentioned is not an 'issue of new insurance upon the deferred dividend plan in the year 1907.'"

Paid-up Given for Surrendered Policy

Extract from letter dated March 12, 1907, from the Superintendent to Metropolitan Life Insurance Company.

"In your favor of the 9th inst. you ask:

'Are we correct in assuming that a paid-up policy, given in lieu of the surrender of a policy issued prior to January 1, 1907, and bearing a new number with current date and attained age, is to be considered as a continuance of the original insurance either in whole or in part and can be written on the old form of paid-up blank in use prior to January 1, 1907?'

I am of the opinion that such a change of policies may be made by your company. If the paid-up is to be considered as a continuance of the original policy it should preferably be carried upon the original number, date and age; this will lessen liability to error in valuation. If thought best, the number could have a letter attached."

Special Clause in Standard Form When Insured is a Minor

Extract from letter dated July 9, 1907, from the Superintendent to New York Life Insurance Company.

"You state:

'For a number of years past it has been the custom of this company to issue policies on the lives of children between the ages of fifteen and twenty-one, using the same premium rates as at age twenty-one. As all these policies are issued on the lives of minors, we have added a special clause to the policy, reading as follows:

'The application for insurance on which this policy was issued having been made by the father of the minor insured, it is understood and agreed that the insurance contract is made with the father, and that any transaction between the company and the father, or, in case of the prior death of the father, between the company and the guardian of the insured, with reference to this policy, shall be valid without notice to, or consent of, the insured during minority. It is also understood and agreed that after majority the company shall deal directly with the insured as though the insurance contract had been made with him originally.'

'We still continue to use this clause in policies issued on the lives of minors in other states. Do you see any objection to adding a similar clause to the standard policy form of the State of New York in such cases?'

In answer would state that I see no objection to the endorsing of the above special clause upon the standard policy form of this State when necessary to fully explain the contract."

Changes in Deferred Dividend Policies Issued Prior to January 1, 1907

See § 83, sub. 2.

SUB. A 2. PERIOD OF GRACE IN POLICY ON MONTHLY PAYMENT PLAN

Company May Not Omit "Grace Clause" from Policies on Monthly Payment Plan; "Industrial Insurance" Defined

Extract from letter dated May 9, 1907, from the Superintendent to The Washington Life Insurance Company.

"You ask:

'In your opinion, would the *monthly payment* plan, even if used for policies for large amount, come under the class of 'industrial insurance' and thus give the option to the company to cut out the grace clause?'

In my opinion, policies such as you mention cannot be considered as 'industrial insurance' policies.

Enclosed herewith you will please find copy of letter from Vice-President Haley Fiske of the Metropolitan Life Ins. Co. relating to the definition of the words 'industrial insurance.'"

"The Metropolitan Life Insurance Co.,
New York City, *February* 14, 1907.

"Hon. Otto Kelsey, *Superintendent of Insurance, Albany, N. Y.*

Dear Sir.— In reply to your letter of the eleventh, I do not remember any Court decision defining what is termed industrial insurance. It seems to be defined by the Insurance Law in section 91 in the following sentence: 'Agents operating solely for companies transacting industrial or prudential insurance on the weekly payment plan of insurance are exempted,' etc.

It is defined in the same way by section 76 of the Massachusetts law: 'On policies of industrial or prudential insurance on which the weekly premiums are not more than,' etc.

It was defined in the State of Louisiana last year in Act No. 65, section 1, as follows: 'Industrial life insurance is hereby defined to be that insurance for which the stipulated premiums, advances, assessments or dues are regularly payable or collectible every four weeks, tri-weekly, bi-weekly, weekly, semi-weekly, or at any other stated times less than a month apart.'

It was defined by statute in Missouri in 1897, in section No. 7943, as follows: 'Industrial or prudential life insurance companies in the meaning of this article are such life insurance companies that issue policies not exceeding $500 in amount, the premiums on which are paid by a weekly rate and are collected and paid weekly under the term of the policies.'

In insurance literature, industrial insurance has often been defined as insurance on the weekly premium plan.

I think the name was adopted by this company when it began the business

in 1879 of weekly premium insurance and its act in so doing was recognized by the Legislature of the State of New York in amending the charter of the company by providing for a separation of the accounts between the ordinary department and the industrial department. This seemed to give legislative sanction for the name industrial insurance for weekly payment insurance.

Very truly yours,
HALEY FISKE, *Vice-President.*"

SUB. A 7. LOANS ON POLICIES

Interest in Advance on a Loan Made on a New York Standard Life Insurance Policy

Extract from letter dated March 31, 1908, from the Superintendent to Mr. Robert K. Orr.

"You ask:

'Will you please advise me whether, under the New York Standard Policy, a company can charge or collect interest in advance on a policy loan?'

The clause relating to loans, which is contained in the New York standard life insurance policy forms, is as follows:

'LOANS.—The company at any time will advance upon the sole security of this policy, at a rate of interest not greater than * * * per centum per annum, a sum not exceeding the amount specified in the table of loan values herein set forth, deducting therefrom all other indebtedness hereon to the company. Failure to repay any such advance or interest shall not void this policy unless the total indebtedness hereon to the company shall equal or exceed the aggregate of all unpaid dividends and accumulations and of * * * per centum (not less than eighty per centum) of the net value of the policy and all additions thereto and thirty days' notice shall have been given by the company.'

I am of the opinion that this clause does not permit a life insurance company to charge or collect interest in advance on a loan made on a New York standard life insurance policy."

SUB. A 10. TABLE OF LOAN AND SURRENDER VALUES

Options on Surrender and Lapse

Extract from letter dated October 30, 1906, from the Superintendent to The Equitable Life Assurance Society.

"Your favor of the 27th inst., relating to options (a) and (b) on surrender or lapse in the New York standard life insurance policies, is received.

You call my attention to the fact that in the Table of Loan and Surrender Values, beginning at line 60 of the ordinary life

policy, the values are not given in the order in which they are referred to in lines 50 and 51.

The forms as promulgated are standard only as to their contents and wording. There is no objection to a transposition of the columns headed 'Paid-up insurance' and 'Continued insurance' in the table mentioned."

Change in Table of Loan and Surrender Values

Extract from letter dated November 9, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 8th inst., in further reference to the change of heading of the first column of the Table of Loan and Surrender Values in the New York standard life insurance policy, is received.

You state that 'It seems very clear that the provisions of the Insurance Law as to options on surrender, and the provisions of the contract made in harmony with the statute, are controlling, irrespective of the heading in the table.' This is undoubtedly so. But it was felt that the original heading of the first column of the Table of Loans, etc., was misleading and would lead to disputes. In order to provide for those companies desiring to make loans prior to the expiration of the third year, space was left in the table for the additional loan values.

I am of the opinion that under the circumstances the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Endorsement on Policy Concerning Table of Loan and Surrender Values

Extract from letter dated November 15, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 14th inst. in further reference to the 'Table of Loan and Surrender Values' in the standard life insurance policy, is received.

You write:

'I propose to meet this situation by advising the company that there is nothing to prevent them from stamping upon a policy issued in New York a statement to this effect under the Table:

'The company will make loans after payment of annual premiums for the number of years indicated.'

This, of course, I take to be a substantial compliance with your ruling on the subject.'

The proposed endorsement, in my opinion, would be a substantial compliance with the ruling on the subject."

Loan Clause in Standard Policy Forms

Extract from letter dated March 19, 1907, from the Superintendent to New York Life Insurance Company.

"You state:

'If it meets with your approval, we should like to add a clause by means of a rubber stamp, or by printing, on the second page of the policy, as follows: "The 'loan value' stated in the above table opposite any year may be borrowed at any time during that year, if premiums have been paid in full to the end of such year." In order that you may see just how the clause would appear on the policy, I am enclosing a form herewith on which we have written the endorsement modifying the loan column.'

The use of the clause stamped on the form enclosed in your letter has my approval."

Cash Surrender Values May Be Included in Policy Contracts

(See letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company, § 88, sub. 9.)

Surrender Values Prescribed in Law are Minimum Values and Larger Values May be Allowed

(See letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company, § 88, sub. 9.)

Standard Policy May Contain Table of Cash Surrender Values

Extract from letter dated December 26, 1906, from Superintendent to the Equitable Life Assurance Society.

"You ask:

'Is the Society justified in adding to the surrender value table in the standard policy a column giving the figures of the cash surrender value; or, instead of that, are we justified in printing under the table, or in some other convenient place in the policy, a paragraph to the effect that the cash surrender value is equal to the loan value with 5 per cent added?'

In reply would state that there is no legal objection to the employment by you of either of the methods mentioned."

SUB. A 11-b. MODES OF SETTLEMENT; INSTALLMENTS

Additional Installment Options

Extract from letter dated April 28, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"From your favor of the 26th inst. I quote as follows:

'In accordance with the terms of the standard policy form provided by the statute, section 101 of Article II of the General Insurance Law, one of the modes of settlement is:

(2) By the payment of equal annual installments for a specified number of years, the first installment being payable immediately, in accordance with the following table, for each one thousand dollars of said total sum.

In the opinion of the Department, would it be inconsistent with any of the provisions of the Insurance Law that settlements be made by installments payable every three months instead of annually?'

I am of the opinion that equivalent quarterly installments may be paid to the beneficiary instead of the annual installments mentioned in the option, provided that a clause, giving to 'the insured or the owner or the beneficiary after the insured's death' the right to elect such payment, be 'indorsed upon or attached to the policy when issued.'"

SUB. D 7. PRIVILEGE OF RENEWAL IN TERM POLICY

Options in Standard Term Policy

Extract from letter dated October 31, 1907, from Superintendent to Home Life Insurance Company.

"In your favor of the 30th inst. just received you write as follows:

'The standard term policy, on lines 42 and 43, reads as follows: The policy may here provide, at the option of the company, for its renewal or for the privilege of change to other forms of policies, etc. Will you kindly give us a ruling as to whether the words 'may here provide at the option of the company' can be applied both to the 'privilege of renewal' clause and the 'privilege of change' clause, thus enabling a company to write a term policy without giving either privilege.'

In my opinion the words 'may here provide at the option of the company,' do apply both to the 'privilege of renewal' clause and the 'privilege of change' clause, making the inclusion of either or both of these clauses optional with the company."

SUB. D 13. MODES OF SETTLEMENT — TERM POLICY

Form of Endorsement for Optional Decreasing Insurance, and Payment of Proceeds in Installments

Extract from letter dated September 30, 1908, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 28th inst., enclosing a copy of a yearly renewable term policy with a proposed form of endorsement thereon, has been received.

You state that: 'We propose to issue such policies so as to provide a fund for the education of children in the event of the parent dying before the child has finished his education,' and the form of endorsement proposed reads as follows:

'MODE OF SETTLEMENT AND SUM INSURED.— THE INSURED HAS ELECTED, with ..... reservation of right to revoke such election, (a) that, upon receipt at the home office of the company in the City of New York of due proof of the death of the insured, the sum insured shall be applied to the purchase of a supplementary non-participating contract, which shall provide for the payment of equal annual installments, the first installment being payable immediately, for the number of years stated in column (2) of the table below opposite the year in which death occurs; AND (b) that, in lieu of the above 'Privilege of Renewal' for the full amount, this policy may be renewed at each policy anniversary for the reduced amount of insurance shown hereunder in column (3) for the corresponding policy-year, by payment of the premium shown hereunder, on the annual basis, in column (4) opposite the corresponding amount of insurance, on condition that when the amount of insurance has at any time been so reduced, it cannot again be increased by reinstatement of any part terminated. If the net amount payable at the death of the insured in any policy-year shall be the amount of insurance shown in the table hereunder for such policy-year, the amount of each annual installment will be $....., and if such net amount be more or less than said amount of insurance, the amount of each installment will be increased or decreased in proportion.

(1) Policy Year	(2) Number of Annual Installments Payable if Death Occurs	(3) Amount of Insurance	(4) Annual Premium
1st	.....	$.....	$.....
2nd	.....	$.....	$.....
3rd	.....	$.....	$.....

Countersigned.....Registrar.'

The use of this form of endorsement for the purpose set forth above has my approval."

SUB. O. STANDARD FORMS PROMULGATED

Minor Changes in Make-up of Policies

Extract from letter dated October 17, 1906, from the Superintendent to the Secretary of the Committee of New York Actuaries.

"The forms as promulgated are standard only as to their contents and wording. As printed by the companies there will undoubtedly be some minor changes in make-up; I would, however, strongly advise the retention of line numbers, even though there might not be exact agreement in lines and numbers in any one contract as printed by the different companies."

SUB. P. PROPOSED FORMS OF POLICIES

Additional Standard Forms of Policies

Extract from letter dated November 16, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Upon proper consideration of the matter, I have determined not to approve policy contracts which are simply variants of those regular forms of policies which have hitherto been issued by all companies. You will of course understand that I do not refer to the changes necessary to make a participating contract a non-participating one.

It was the intent of the legislation of the last session to do away with the needless multiplication of policy forms by prohibiting the issuance, on and after January 1st next, of other than certain standard forms.

While I recognize the fact that the four styles of policy forms set forth in section 101 of the Insurance Law will not cover all the legitimate demands of the insuring public, and am ready to consider such forms as are needed to meet this demand, I am of the opinion that other and special forms should be passed upon by the Legislature at its next session."

Policies with Return Premium Features

Extract from letter dated April 17, 1907, from the Superintendent to The Life Association of America.

"Your favor of the 16th inst., enclosing rate-book and five sample policies, is received.

I note that in one of the standard forms, that for ordinary life insurance, you have written in a table of 'Guaranteed mortuary dividends.'

At the hearing held in New York City on December 27th last, policies containing return premium features were presented and were not approved, these features being considered misleading and deceptive.

I am of the opinion that your company cannot lawfully issue or deliver within this or any other State the form of policy referred to above."

Proposed Change in Pure Endowment Form of Policy

Extract from letter dated August 7, 1907, from the Superintendent to The Equitable Life Assurance Society.

"You write:

'We have recently received a request for a pure endowment to be issued upon the life of a minor, the premiums under the policy to be paid by the child's mother, who desires that in the event of the death of the child the premiums paid shall be returned to her. We are blocked in the writing of the form by the words 'legal representatives or assigns of the insured.' We shall be glad to have you advise us whether in cases of this kind the Society is not justified in inserting the name of the person to whom the premiums are to be returned in lieu of the phrase *legal representatives or assigns.*'

I am of the opinion that the change suggested is unnecessary and unallowable."

Restricting Payments Under Annuity Contracts

Extract from letter dated September 16, 1907, from the Superintendent to Home Life Insurance Company.

"Your favor of the 13th inst., relating to an annuity which a father purposes to purchase for the benefit of a son, was received by due course of mail. You state:

'The circumstances are such that the father wishes to absolutely preclude any possibility of the son selling or hypothecating all or any part of the annuity and he wishes an additional clause to be inserted in the policy contract in order to prevent any such disposition of the proceeds.'

As such 'additional clause' you submit the following:

'It is further agreed that no payment or payments to become due under this policy shall be made prior to the date or dates on which such payment or payments would become due, that no loan shall be made on the security of this policy nor shall the policy be purchased by or assigned to the said company at any time hereafter and that no assignment of any benefit or benefits under the policy shall be recognized by the said company.'

I am of the opinion that there is no legal objection to the use of this clause for the purpose and in the manner referred to above."

Reinsurance Policies, Standard Form Required

(See letter dated February 23, 1909, from the Attorney-General to the Superintendent of Insurance, § 22, last paragraph.)

SUB. R. APPROVAL OF ADDITIONAL FORMS

Endorsement for Standard Policies to Cover Case of Preliminary Term Insurance

Extract from letter dated August 12, 1907, from the Superintendent to Home Life Insurance Company.

"I am of the opinion that the endorsement, modified as shown by the copy enclosed herewith, may be used 'where the applicant states that it is not convenient for him to pay the full annual premium required by the terms of the policy at the time of year at which application is made.'

In consideration of the payment, upon delivery of this policy previous to the ..... day of ....., 19.., of ..... dollars and ..... cents, being the charge for term insurance to said date, the ..... Company hereby agrees, in case of the death of the insured previous to the said date to pay the sum assured, subject to the conditions herein expressed.

On payment of the premium due on the ..... day of ....., 19.., all benefits, privileges and conditions whatsoever, herein expressed, shall be of the same force and effect as if the policy had been originally issued on that date.

....."

Pro Rata Premiums for a Portion of the Year

Extract from a letter dated March 10, 1909, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor of the 6th inst. enclosing a New York standard life insurance policy, ordinary life, 'arranged for this (proposed) pro rata rate,' has been received. You write:

'Under date of August 12th, 1907, in a letter addressed to the Home Life Insurance Company, your predecessor approved of an endorsement to cover preliminary term insurance in case it was desired to have the annual premium come due at a time of the year when the insured would be in funds. The only objection to the preliminary term insurance is that it very often changes the age of the insured, and we occasionally have a man who prefers to pay a pro rata rate, say from March 10 to September 15th, instead of paying a term rate.'

I am of the opinion that, under the circumstances, the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Policy Forms Approved only upon Notice to Companies

See § 88, sub. 18.

SUB. W. FORMS FOR DELIVERY IN OTHER STATES

Forms of Policies Issued by Domestic Life Insurance Corporations for Delivery in Other States or Foreign Countries

Extract from letter dated March 12, 1907, from the Superintendent to Mr. Harry D. Williams.

"Your favor of the 5th inst., relating to section 37 of chapter 326 of the Laws of 1906, being section 101 of the Insurance Law, as amended, was received by due course of mail.

This section provides for 'four standard forms of policies, to wit: (1) An ordinary life policy, (2) a limited payment life policy, (3) an endowment policy, and (4) a term policy.' Provision is made for the alteration or amendment of these forms of policies 'by the direction of the Superintendent of Insurance at any time prior to the first day of October, nineteen hundred and six,' etc.

Provision is also made for other forms of policies desired by domestic life insurance corporations for issuance or delivery within this State; requiring them to be presented at a public hearing and to be approved by the Superintendent before the corporations should be entitled to use them in addition to the forms prescribed in the section.

The concluding paragraph of the section is as follows:

'Anything herein contained to the contrary notwithstanding, any domestic life insurance corporation may issue and deliver in any other State, or in any foreign country, or may issue in this State for delivery in any other State or any foreign country, any form of policy not inconsistent with any of the provisions of the insurance law.'

I am of the opinion that this last paragraph will not permit any domestic life insurance corporation to issue in this State for delivery in any other State or any foreign country, any form of policy which by any amendment, alteration, provision or omission, materially changes any form of policy approved or promulgated by the Superintendent as provided for; nor will it permit the issuance by such a corporation for delivery within or without this State of any form of policy the use of which is restricted to this corporation or others licensed by it, under the provisions of the Copyright Law."

Forms for Delivery in any Other State, or in Foreign Country

Extract from letter dated October 21, 1907, from the Attorney-General to the Superintendent of Insurance.

"I am inclined to the view that the statute should be construed as though it provided that domestic life insurance companies could only issue and deliver in this State the standard forms of policy, but that they might issue in this State and deliver in any other State a variation or modification of the standard form approved by the Superintendent of Insurance, provided, of course, that such change or modification should not be inconsistent with the provisions of the statute. A different construction might well lead to preventing our domestic insurance corporations from doing business in other States of the Union, which could not have been within the legislative intent."

Idem

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"I am of the opinion that this (the last clause of section 101 of the Insurance Law), does not require forms of policies issued by any domestic life insurance corporation 'for delivery in any other State or any foreign country' to be submitted to nor approved by the Superintendent of Insurance."

Section 101 (New) — Standard Provisions

Forms to be Filed and Approved

Revised Rules for the Submission of Policy Forms Under New Section 101

Letter dated July 15, 1913, from the Superintendent to all Life Insurance Companies authorized to make insurance within this State under subdivision 1 of section 70 of the Insurance Law.

"Chapter 301, Laws of 1909, new section 101 of the Insurance Law, became a law on the 7th day of May, 1909, and on the 28th day of May of that year a circular letter containing rules for the submission of policy forms under that section was sent to all life insurance companies then doing business within the State of New York. Several hundred different forms of policies of life insur-

ance have been filed under the requirements of that law, and the experience of the past four years in examining those forms has shown that the rules contained in the circular letter of May 28, 1909, do not cover all the points which must be considered in passing upon the sufficiency of policy forms. It has, therefore, been found necessary from time to time to make supplemental rules covering the submission of policy forms, and the following is a revision of the rules for the submission of policy forms under said new section 101. These revised rules should be followed in the preparation of policy forms to be submitted on and after July 21, 1913.

1. *Preliminary filing.* A company should file two fair printer's proof copies of any new policy form for preliminary examination, in order that the form may be given due consideration and any defects therein pointed out and corrected before it is printed for formal submission and filing.

2. *Formal filing.* When a policy form has been drafted, completed and printed in accordance with the requirements of the statute and of these rules, it should be submitted in triplicate, accompanied by three (3) copies of the application, and the same number of copies of any other supplementary forms which will be necessary parts of the insurance contract.

3. *Forms to be filled out.* Each policy form, application blank and supplemental form when thus submitted for formal approval, must be filled out complete, with fictitious names and hypothetical data appropriate to the particular form, so that there will be no blank spaces. In ordinary cases it is suggested that forms be filled out as of age 35, but in the case of sub-standard or rated-up ages forms may be filled out as of age 30 or 35, and rated up to the age required.

4. *Form number.* Each form of policy submitted to the Department for approval must be designated by a form number printed at the lower left-hand corner of the first page thereof. The form number alone should be sufficient to identify the form and all its printed contents, without reference to the date of the edition or date of printing.

5. *Descriptive matter.* A brief description of the true nature of the policy should be printed on the first page, and preferably at the foot of the page.

6. *Reserve basis.* The reserve basis, mortality table and rate of interest, must be stated in the policy. Usually the reserve basis should be set forth in connection with the non-forfeiture values.

7. *Surrender charge.* The amount of the surrender charge, if any, must be stated in the policy. It is sufficient to state the maximum amount of the surrender charge, naming the policy year, with the further statement that such surrender charge will decrease until a certain policy year, naming it, after which there will be no surrender charge.

8. *Photographic copies of application.* If it is the practice of a company to attach to a policy a photographic reproduction of the application upon which it is issued, the company may attach to each copy of a policy form

such photographic copy of the application, filled out with data appropriate to the form, both Part I and Part II, and reproduced full size.

9. *Purpose of form.* A company is requested to state, when submitting a new policy form, whether it is intended to supersede some form theretofore approved, and if so, the form number of the form to be superseded.

Indorsement Forms

10. *Indorsement stamps.* Forms of indorsements for formal approval should be submitted by means of triplicate impressions of a rubber stamp. A typewritten draft of a proposed form of indorsement may be submitted for examination preliminary to the preparation of the rubber stamp. The rubber stamp should bear a form number at the lower left-hand corner; it should provide a line for the date of execution, and it should show that the indorsement is to be executed in the name of the company by one or more of its executive officers, and their fac-simile signatures should appear on the stamp. The blanks in the impressions of an indorsement stamp should be filled out in the same manner as policy forms and supplementary forms.

11. *Blank indorsement forms printed on policy.* Certain indorsement forms that are frequently used on life policies may very well be printed on the back of a policy form, ready to be filled in and executed at any time as occasion may arise. Such, for example, are indorsements for changing the beneficiary; changing the time of premium payments; or changing mode of payment of proceeds of policy. Each such blank indorsement form must be designated by an appropriate form number, printed at the lower left-hand corner of the form.

Rider Forms.

12. *Rider forms printed.* Rider forms, such, for instance as those for removing policy restrictions as to residence, or military or naval service, or for reinstatement after lapse, should be printed and submitted in triplicate, with all blanks filled in with hypothetical data appropriate to the case. Each such rider form must be designated by a suitable form number, printed at the lower left-hand corner of the form; it should provide a line for the date of execution, and it should show that it is to be executed in the name of the company by one or more of its executive officers, and their fac-simile signatures should be printed in the rider.

For further information in regard to the provisions in policy contracts, whether required or forbidden by law, companies are referred to the several rulings contained in Department Report for 1913, Part V, under sections 58, 60, 88, 89, 92 and new 101."

Forms of Contracts Based Upon Persistence, or Cessation of a Human Life or Lives Must be Filed with and Approved by Superintendent

Extract from letter dated July 20, 1909, from the Superintendent to The National Life Insurance Company.

"Replying to your inquiry of the 16th inst., I would advise you that in order fully to comply with the requirements of sec-

tion 101 of the Insurance Law as to the filing of forms of policies to be delivered in this State on and after January 1, 1910, it will be necessary for you to file copies of all contracts based upon the persistence or the extinction of a human life or lives, which you intend to issue for such delivery."

Policy Form Approved for One Company Must be Re-submitted Before Being Used by Another

Extract from letter dated July 6, 1909, from the Superintendent to the Union Life Insurance Company.

"I would advise you that a policy form that has been approved for one company may be used by another without re-submission for approval. However, copies of all forms, including the present standard forms, which it is intended to issue or deliver in this State on and after January 1, 1910, should be furnished for approval or filing in accordance with the instructions contained in my letter dated May 28, 1909."

Forms of Policies for Delivery in this State on and after Jan. 1, 1910, *Must be Filed and Approved*

Extract from letter dated July 27, 1909, from the Superintendent to the Postal Life Insurance Company.

"I am of the opinion that each life insurance corporation, authorized to transact business in this State, must file for approval copies of every form of policy contract which it purposes to issue or deliver in the State on and after January 1, 1910."

(See rules concerning forms of policies; also § 88, sub. 18.)

Forms of Life or Endowment Insurance and Application Blanks for Delivery after Jan. 1, 1910, *and All Advertising Literature, Should Conform to Present Law*

Ruling of August 3, 1909.

"The forms of policies of life or endowment insurance for delivery in this State on and after January 1, 1910, and forms of the application blank upon which such policies are to be issued, should be drawn in accordance with the provisions of new section 101 of the Insurance Law and with due regard to the other pro-

visions of the Insurance Law of the State of New York, which are intended to protect the interests of policyholders.

All advertising literature should be prepared with reference to the present state of the law of insurance in this State; if comparisons of rates, cost and results be made, such comparisons should be fair and just; non-participating rates and results should be compared with non-participating rates and results in other companies, and illustrations should be drawn from settlements made at a comparatively recent date and under present conditions."

Form Containing Standard Provisions Required for All Policies Issued in the State of New York Wherever Delivered

Ruling of April 10, 1912.

"In my opinion the use of the word 'or' in the phrase 'issued or delivered in this State' as those words appear in section 101 of the Insurance Law, prescribes the use of the standard form of life policy by domestic corporations, not only in cases where the policy is issued and delivered in this State, but also in cases where the policy is issued in this State and delivered elsewhere. The situation would be different if the Legislature had employed the word 'and' instead of the word 'or' in the phrase above set forth. There is no question in my mind but that the issuing of a policy, in a legal sense, occurs at the home office of the company, so that the law as it stands seems to prohibit the issuing by domestic corporations of a life insurance policy which does not conform with the standard requirements, no matter where that policy may be delivered."

Policy Forms and Application Blanks Should be Submitted in Triplicate

Ruling of December 19, 1912.

"Policy forms should be submitted in triplicate, completely filled out in accordance with the rules contained in the circular letter of May 28, 1909, and should be accompanied in each case with copies of the application blank or blanks, also filled out with hypothetical data such as would be satisfactory to the company preliminary to the issue of a policy thereon."

Application Blanks Must be Completely Filled Out and Filed in Triplicate

Ruling of August 2, 1911.

"You should forward to me three copies of each form, filled out in the manner customary with your company. You may, if you wish, select any form of application and medical report upon which you have actually issued a policy, substituting a fictitious name in place of the name of the insured, and fill out the two blanks to correspond with the blanks in the case of an application upon which the policy has actually been issued."

Form Number Must be Printed at Lower Left Hand Corner of First Page of Policy

Ruling of May 25, 1911.

"It is suggested that for the convenience of the Department, the number of the policy form should be printed at the lower left hand corner of the first page."

Separate Form Number for Each Policy Form

Ruling of January 2, 1912.

"Policy forms should be given a separate and distinct number. The form number should be sufficient to identify the form and its contents, without reference to the date of the edition or date of printing."

Place for Signatures of Officers on Policy Forms

Ruling of October 24, 1911.

* * * "You may, if you wish to do so, prepare your present edition of policy forms with places for the signatures of the executive officers at the foot of the first page, with the statement immediately above the authentication clause reciting that the policy 'is issued and accepted subject to all the conditions, benefits and privileges described on the second and third pages hereof which are hereby made a part of this contract.'"

Pure Endowments are to be Considered as Insurances

Extract from letter dated July 20, 1909, from the Superintendent to The Mutual Life Insurance Company.

"You state:

'I wish to ask your opinion regarding pure endowment contracts. Section No. 101 mentions only life and endowment insurance policies. * * * Pure

endowments are not, therefore, covered by Section No. 101 of the new law. * * * Section No. 102 prohibits life insurance companies from issuing both participating and non-participating policies. * * * We desire to issue pure endowments next year at smaller rates of premiums than those now charged, but on the non-participating plan. * * * Will you kindly advise me whether or not you consider that the pure endowments which we issue should call for annual dividends.'

I would advise you that for the purposes of the Insurance Law, pure endowments are to be considered as insurances. See the Insurance Cyclopedia by Cornelius Walford, Vol. 1, p. 207, '20. Ins. of sums of money by ways of endowment. (Endowments.)' "

Standard Provisions Applicable to Children's Endowment Policies

Ruling of September 9, 1911.

" Of the provisions mentioned in new section 101, it seems that in a child's endowment policy there are ordinarily required the first, second, third, fifth (if participating), sixth and tenth. Provision fourth is not usually of much importance under such a policy, and it is not required, unless the policy is to mature at a certain age instead of maturing in a certain definite number of years, as is the usual practice.

If the policy provides for the return of premiums, either with or without interest, in the event of the child's death before the maturity of the policy, it may provide loan values and cash surrender values, and in that case provisions seventh and eighth apply to such a policy. But such provisions should not ordinarily be encouraged unless the loan or cash surrender value is to be used for the purpose of educating the insured."

Shortening of Limitation of Claim Period in Policy Form Disapproved

Ruling of November 9, 1909.

" New section 101 provides that:

'On and after January 1, 1910, no policy of life or endowment insurance shall be issued or delivered in this State unless and until a copy of the form thereof has been filed with the Superintendent of Insurance and approved by him.'

" The power thus given to me to approve forms of life insur-

ance policies implies the power to disapprove all such forms as may seem to me unjust to the policyholder, or which unduly restrict or limit the right to enforce the same against the company. Any shortening of the limitation of the right to enforce a contract of life insurance when it shall mature as a death claim to a period less than the ordinary six year limitation provided in the Code of Civil Procedure seems to me unjust to the policyholder. * * * I have accordingly suggested to the few companies whose policies contained a limitation of less than six (6) years that they should either make the limitation six years or strike the provision from their policies and they cheerfully accepted the latter suggestion by eliminating from their policies all references to any limitation concerning the filing of a claim or the commencement of an action thereon."

Waiver of Right to Have Medical Examinations Treated as Confidential not Permissible

Ruling of August 3, 1909.

"There was submitted a form of application which contained the following:

'I hereby agree and bind myself as follows: * * * That all provisions of law forbidding any physician, who has attended or who shall or who may hereafter attend me, from disclosing any and all information which he acquired, or which he may or shall acquire by such attendance, are hereby expressly waived.'

The ruling thereon was:

'This conflicts with the provisions of sections 834 and 836 of the New York Code of Civil Procedure and will not effect the purpose which it contemplates. In the case of Holden v. The Metropolitan Life Insurance Co., 165 N. Y. 13, it was held that an express waiver in an application for a policy of life insurance of the provisions of section 834 of the Code of Civil Procedure, made by the insured after the amendment in 1891 to section 836, providing that such waiver could be made only upon 'the trial or examination' by his personal representatives, had taken effect, is ineffectual to permit disclosures by a physician of information which he acquired in attending the insured in a professional capacity.

It seems that no good can arise from the inclusion of such a waiver in the application, and it is likely that it would result in much needless litigation.

The application blank submitted by another company contained substantially the same provision and the same ruling was made thereon. The latter

company then asked for a reconsideration of the matter and the general counsel of the company stated the reasons for retaining the waiver in its application blank, saying that: 'If the application blank were to be used alone in the State of New York it would be a practical matter to omit the part of it waiving the provisions of law forbidding a physician from disclosing information acquired in his professional capacity, but the provisions of the New York Law are not generally in force in the various jurisdictions where questions are likely to arise on the point covered by that phase of the application, * * * and this being a useful provision in the application blank where as at common law the privilege may be waived, the company has inserted a waiver in the application, understanding, of course, that it can only be used where the laws of the jurisdiction recognize such waiver. Therefore, while you are quite right in stating that the waiver will not accomplish the purpose intended in New York, it will accomplish the purpose intended in very many localities and so is adopted as a general form of the company. Its insertion in the application blank can do no harm in New York even if it does not do any good there.'

The ruling thereon was that: 'In view of the provisions of sections 834 and 836 of the New York Code of Civil Procedure, and the decision of the Court of Appeals in the case of Holden v. The Metropolitan Life Insurance Company, the use of such waiver in this State is improper. I am of the opinion that the use of such waiver, the same being ineffectual, does do harm and especially would harm be done if a domestic corporation should continue a practice which is denied to foreign corporations. I believe that corporations which owe their existence to New York laws should yield ready acquiescence to those laws and their interpretation by the highest court of the State.'"

Idem

Ruling of January 4, 1913.

"A certain company submitted a form of application which contained the following:

'I expressly waive, on behalf of myself and of any person who shall have or claim any interest in any policy issued hereunder, all provisions of law forbidding any physician or other person who has attended or examined me, or who may hereafter attend or examine me, from disclosing any knowledge or information which he thereby acuqired.'

Such a provision is objectionable in an application for life insurance to be issued or delivered in this State, since it violates the provisions of sections 834 and 836 of the New York Code of Civil Procedure.

Holden v. Metropolitan Life Insurance Company, reported 165 New York, page 13."

Policies Delivered in New York State Must Not Be Made Subject to Laws of Foreign States

Ruling of August 3, 1909.

"There was submitted a form of application which contained these words:

'And that the policy applied for and this application shall be subject to and construed according to the laws of the State of .....' (Naming a foreign State).

The ruling thereon was: 'This is not proper in a policy issued for delivery in the State of New York.'"

Use of the Term "New York State Official Policies" Prohibited

Ruling of August 3, 1909.

"In the rate book, and in one of the advertising leaflets, the policies are designated as 'New York State official policies.' There is no New York State official policy and your policies should not be so designated, in the policies, in the rate book or in any literature descriptive of such policies."

Words "Renewable-Convertible," May be Used in Term Forms

Ruling of March 31, 1910.

"It is suggested that in connection with the title at the top of the first page (of a term form) or at the foot of that page, there should appear the words, 'Renewable-Convertible.' These words point out two very obvious advantages which this contract offers over those term contracts which do not contain the renewal and convertible clauses and it is thought that in the interest of persistent insurance it will be well to use the words suggested as part of the descriptive title of such a contract as this."

Words "Non-renewable," "Non-convertible" Must be Used When Term Form Does Not Provide for Renewal or Conversion

Ruling of January 15, 1913.

"The Department holds that the spirit of section 60 of the law requires that the nature of the policy should be clearly stated in its title, and if a term policy contains no provision for its renewal as a term, then the title of the policy should state that it is non-renewable."

Privilege of Renewal Clause Must State Whether Medical Re-examination Is Required.

Ruling of March 31, 1910.

"The clause (in a term form) entitled 'Privilege of renewal' should state definitely and clearly whether the policy will be renewed (as a term) without medical re-examination."

Privilege of Change Clauses in Term Form Must be Definite with Regard to Medical Examination

Ruling of March 31, 1910.

"The clause (in a term form) entitled 'Privilege of change to other forms of policies,' should state definitely and clearly whether that privilege will be granted without medical re-examination."

Use of Word "Pension" in Installment Policy Disapproved

Ruling of April 16, 1913.

"The Department ruled that the word 'pension' is not a proper term to use in an insurance contract to designate installment payments. A pension as ordinarily defined is a stated allowance to a person in consideration of past services, usually such a payment from a government to retired employees of public officers in the civil or military service. The word 'pension' is in no sense a life insurance term, and in such contracts as these the word 'installment' or 'installments' is much to be preferred. The word 'pension' wherever it appears in the two proposed forms and in the specimen of proposed rate sheet should be eliminated, and the word 'installments' or 'installment' should be inserted in place thereof.

Beneficiary in Installment Policy May Not be Designated as "Annuitant"

Ruling of September 30, 1912.

"A certain company submitted a policy form providing for continuous monthly installments and designated the payee of the

installments 'annuitant' instead of 'beneficiary.' The ruling thereon was as follows:

The Department is of the opinion that the word 'annuitant' wherever it appears in this form should be eliminated and the word 'beneficiary' substituted in place thereof."

Commuted Value of Installment Policy and Aggregate of Installments Certain.

Ruling of June 12, 1911.

This ruling was in substance that:

"Policy forms which provide for installment payments, either installments certain or installments certain and continuous, should show the commuted value, or insurance value, on the first page of the policy. It is desirable, also, that in connection with the statement of commuted value, or insurance value, the amount of the installments certain be shown. That ordinarily it is sufficient if the commuted value and the amount of the installments certain are stated at the upper right hand corner of the first page."

Installment Option Riders Should not be Used Concurrently With Issue of Policy

Ruling of November 23, 1911.

"The matter of these riders has been given careful consideration and the Department is of the opinion that there is no valid reason why the use of such riders should be permitted, since it appears that they are to be issued as of even date with the policies to which they are intended to be attached, and such installment options as are provided by these riders can be, and should be, included in the policies if the company is willing in any case to pay the proceeds of the policy in installments."

Waiver of Premiums and Disability Provision

Ruling of January 9, 1912.

"About the middle of April, 1910, a hearing was granted to a certain company with regard to the insertion in policies of life insurance of a paragraph entitled 'Waiver of premiums' in case of total and permanent disability of the insured, and since that time all life insurance companies, whether foreign or domestic, which are entitled to make insurance under sub. 1 of section 70,

have been permitted to insert such 'Waiver of premiums' paragraph in their policies, but companies are still permitted to use supplemental contracts providing for disability insurance."

SUB. 1. GRACE IN PAYMENT OF PREMIUM

Interest on Premiums for Period of Grace Should be at Definite Rate of Interest

Ruling of August 9, 1909.

"The interest on premiums for the period of grace should be at a rate 'not in excess of 6 per cent. per annum.'"

SUB. 2. INCONTESTABILITY

Incontestability Clause Must Follow Language of Statute

Ruling of August 7, 1909.

"The provision concerning incontestability should follow the language of the statute 'after two years from its date of issue.'"

Provision Making Policy Incontestable from Date of Issue Contrary to Public Policy.

Ruling of February 26, 1910.

The Department rules that a provision in a policy of life insurance to the effect that the policy shall be incontestable from its date of issue is against public policy. The following cases support this ruling:

Ritter v. Mutual Life Insurance Company of New York, reported 169 U. S., page 139.

Reagan v. Union Mutual Life Insurance Company, 189 Mass., page 555.

New York Life Insurance Company v. Frank H. Hardison, 199 Mass., page 190.

Bliss on Insurance, § 247.

Welch v. Union Central Life Insurance Company, 108 Iowa, page 224.

New York Life Insurance Company v. Weaver's Administrator, 114 Kentucky, page 295.

Idem

Ruling of April 3, 1913.

"A certain company indorsed on a form submitted to the Department for approval a receipt in effect a provision making

the policy incontestable from date of issue, in consideration of the payment of an additional premium. The Department in answer made the following ruling:

'You are advised that this portion of the form is disapproved for the reason that it is contrary to public policy to make a life insurance contract incontestable from its date of issue.

* * * * * * * * * *

Inasmuch as our statute requires that the policy contain a provision in effect that it shall be incontestable *after two years from its date of issue* except for nonpayment of premiums, etc., it seems to have been intended that a company should reserve the right to contest a policy for any one of a number of reasons *within a reasonable period* after the date of issue, and I am of the opinion that the time within which a life insurance policy may be contested should not be limited to a period of less than one year from the date of issue."

(See citations under preceding rulings.)

Provision for Incontestability After One Year Approved

Ruling of December 10, 1912.

"You will note that provision 2 above quoted requires the policy to contain a provision that it shall be incontestable after two years from its date of issue. It is, however, customary with a number of companies to insert in policies a provision that they shall be incontestable after one year from date of issue, and such provision has been approved by this Department as being more favorable to the insured."

Exception in Incontestable Clause May Not be Extended to Aviation Risks

Ruling of April 9, 1913.

A company proposed to insert in its policies a provision in substance as follows:

"Death resulting from, or while engaged in, aviation or aeronautical ascensions, are risks not assumed by the company. In such cases the indemnity shall be the sum of the gross premiums paid."

The ruling on this proposition was:

"Under the law as it is at this time, I am of the opinion that such a provision cannot be lawfully incorporated in your policies. Sudivision 2 of section 101 of the Insurance Law reads as follows:

'2. A provision that the policy shall be incontestable after two years from its date of issue except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.'

It seems, therefore, that such a provision as you suggest could be made effective only during a period of two years immediately following the date of issue of the policy."

Date of Issue is the Date the Policy Bears for Original Issues

Extract from letter dated November 16, 1909, from the Superintendent to the Northwestern Mutual Life Insurance Company.

"You ask:

'Will you please give me your interpretation of the words *date of issue* in subdivision 2 of section 101, standard provision clause in the Law of 1909, amending the act in relation to insurance corporations. Does it mean the date which the policy bears, or the date when the home office executes and sends out the policy for delivery, or the date of actual delivery to the insured?'

To this my answer is, the date which the policy bears, for original issues."

Words "Date of Issue" Must Appear in Incontestable Clause

Ruling of February 9, 1911.

"The paragraph entitled 'Incontestability' reads as follows: 'This policy, with the application therefor, constitutes the entire contract between the parties hereto and shall be incontestable after one year from *its date.*' In my letter to you, dated October 4, 1909, in point second I said to you: 'It seems necessary to use here the words of the statute, 'date of issue,' for the reason that the *date* of a policy and its *date of issue* are not always nor necessarily the same, since life insurance policies are frequently antedated or postdated.'"

SUB. 3. APPLICATION MADE A PART OF POLICY CONTRACT

Where Application is Made Part of Contract, Policy Should State that Fact

Ruling of August 3, 1909.

"If a copy of the application is attached to the policy and thereby made a part of the contract (Section 58), the policy

should in every such case contain a provision that 'the policy *and the application* shall constitute the entire contract between the parties.'"

(See § 58, sub. 3 and references.)

Application Not to be Printed in Policy

Ruling of October 24, 1911.

"Subdivision 3 of new section 101 is in entire harmony with the provision of section 58, to the effect that the application may be made a part of the *contract,* but this does not imply that under either of those sections the application or a copy thereof may be printed in the *policy.* As you say, that is not required, does not seem to be contemplated by any statute, and probably it would not be permitted."

Where Application is Made Part of Contract, Application Blank Must be Filled Out and Submitted with Policy

Ruling of January 18, 1912.

"Some months ago it became necessary to require that all policy forms submitted to this Department which contain a provision to the effect that the policy and the application constitute the entire contract should be accompanied in each case by a copy of such application, including the statements to the medical examiner, filled out completely with hypothetical answers."

Application Must Not be Included in Policy

Ruling of March 6, 1912.

"Your proposal to insert the words 'which includes' in place of the word 'and' in the first line of that section would make it read: 'This policy which includes the application therefor' and would not be in accordance with the fact, since the application is not included in the policy.

I am of the opinion that the proposed change in this section is objectionable, since it does not meet the requirements of sub. 3 of section 101 of the Insurance Law."

SUB. 4. AGE OF INSURED MISSTATED

Policy Must Contain Specific Provision for Relief in Cases of Misstatement of Age

Ruling of August 3, 1909.

"The policy must contain a provision that if the age of the insured has been misstated, the amount payable under the policy shall be such as the premium paid would have purchased at the correct age. A promise on the part of the company to refund the excess premiums when the age of insured has been over-stated does not satisfy the requirements of the statute."

Promise of the Company in Above Case Not Sufficient

Ruling of August 7, 1909.

"The promise of the company to repay the excess premium when the age of insured has been overstated, does not satisfy the requirements of the statute."

Misstatement of Age Provision in Annuity Contract

Ruling of September 8, 1909.

"In the annuity forms, the provision in regard to misstatement of age does not quite answer the requirement of the statute (new section 101, sub. 4). It seems that the correct way to set forth such a provision in an annuity contract would be to say, substantially, that: 'If the age of the annuitant has been misstated in the application then the amount of the annuity payable under the policy shall be such as the premium paid would have purchased at the correct age of such annuitant,' with a suitable reference to the company's rates in force at the date of issue of the contract, and to annuity payments made on the contract prior to the discovery of the fact that the age of annuitant has been misstated."

Misstatement of Age Provision May be Omitted from Industrial Policies

Ruling of April 25, 1912.

"Replying to the inquiry in the latter part of your letter, the various provisions of section 101 of the Insurance Law are not

held to apply to industrial policies, and there is no other provision in the law requiring a policy to contain a provision as to misstatement of age embodied in sub. 4 of section 101.

While some of the companies issuing industrial policies have voluntarily incorporated this provision, I do not consider section 101 broad enough to permit this requirement, and such policies, without a reference to the misstatement of age, have been approved by this Department."

SUB. 6. OPTIONS ON SURRENDER OR LAPSE

Ruling of August 3, 1909.

"The wording of this clause should follow the language of the statute 'after three full annual premiums shall have been paid.'"

NON-FORFEITURE OPTIONS

Waiver of Lapse or Forfeiture Provisions in Application

(See ruling of Aug. 7, 1909, § 88, sub. 18.)

Cancellation Clause in "Wife Insurance" Policy Disapproved

Ruling of February 1, 1910, by Counsel to the Department.

"The ..... Life Insurance Company submits the following clause for approval:

'It is expressly understood and agreed that this policy shall become ipso facto null and void in the event of the cancellation, for any cause, of policy No....., issued by this company on the life of ....., the husband of the insured hereunder, and that all the benefits hereunder shall thereupon cease except as to paid up insurance under the nonforfeiture clause on the second page hereof.'

I advise against approving this clause; the company should carefully examine the circumstances surrounding the application for 'wife insurance' in the first instance, and so avoid the risk it attempts to cover by the clause quoted."

Surrender Value, Substandard Risk

Ruling of January 12, 1912.

"I note your inquiry concerning an endowment policy issued on a substandard risk, and whether in the case of lapse of such a policy after the payment of three annual premiums, the policy

might not provide for paid-up insurance, omitting the provision for extended term insurance. On this point, you are advised that it is permissible to provide in such a policy for paid-up endowment insurance for a reduced amount, in the case of lapse and surrender after the payment of three annual premiums, provided the insured in his application shall state definitely his election to take such paid up insurance for a reduced amount, the policy in that case to contain a provision for such paid up insurance, in accordance with the terms of the application and omitting all reference to extended term insurance."

Basis of Values Should be Stated in Policy

Ruling of April 7, 1913.

"The Department suggested that the Company insert in the policy form a statement substantially as follows:

'The values set forth in this table are mathematical equivalents and are based on the American Experience Table of Mortality and .....% interest (naming the rate of interest upon which reserves are based, either 3½% or 3%) less a surrender charge of not more than ———% (not more than 2½%) of the face of the policy until the completion of the..... policy year, at which time and thereafter there is no deduction made as a surrender charge.'

* * * * * * * *

It seems that the proper place for incorporating this statement in your policy would be in connection with the paragraph entitled 'Options on Surrender or Lapse' and immediately above the 'Table of Values.'"

Dividends Applied to Payment of Premiums

Ruling of September 19, 1912.

"Certain companies now provide in their policies, issued since January 1, 1910, when new section 101 of the Insurance Law became effective, for the payment of premiums thereon from the accumulated dividends, but the law of this State does not require companies to insert such a provision in their policies, and I am of the opinion that a company cannot be compelled to do what you ask unless the policy contains a provision to that effect."

SUB. 7. POLICY LOANS

Policy Loan Provision Should State a Definite Rate of Interest

Ruling of August 7, 1909.

"The provision in regard to loans should state definitely the rate of interest at which loans will be made to the owner of the policy. Section 101, sub. 7 requires that this provision recite that loans on the policy will be made 'at a *specified* rate of interest.'"

Idem

Ruling of August 9, 1909.

"The statute (sec. 101, sub. 7) requires that the policy shall contain a provision stating that loans will be made 'at a *specified* rate of interest.' It is not enough to say in the policy that: 'The rate of interest charged shall not exceed six per centum per annum.'"

(See § 97, "Sub. 10. Loan or Advance to agent.")

Idem

Ruling of October 7, 1912.

The Department ruled that a "policy must contain a provision that loans will be made at a *specified* rate of interest, and that the rate of interest can be specified in no way except by naming a definite rate of interest at which loans will be made."

Idem

Ruling of May 6, 1913.

"In the paragraph at the top of the third page, entitled 'Loans' it is provided that a loan will be made upon the sole security of the policy 'at a rate not to exceed 6 per cent. interest per annum.' The statute requires that the rate of interest at which loans will be granted must be a '*specified rate.*' If you wish the loan provision in your policy to specify 6 per cent. as the rate of interest upon such loan, you should strike out the words 'not to exceed' at the beginning of the second line of that paragraph and insert the word 'of' in place thereof."

Words "At Any Time" Should Not be Omitted from Loan Provision

Ruling of February 29, 1912.

"If you will refer to sub. 7 of section 101, you will note that the statute requires that a policy of life or endowment insurance shall contain: 'A provision that after three full years' premiums have been paid, the company *at any time* while the policy is in force etc.' I am therefore of the opinion that the words 'at any time' should not be omitted from the loan provision."

Promissory Note Must Not be Issued as Additional Security for a Policy Loan

Ruling of January 4, 1912.

"It is noted that the first part of your form (658) is a negotiable promissory note, and there is contained in it nothing which connects it with the policy loan, thus making it possible for the note to be detached from the loan agreement below it and placed in circulation as a negotiable commercial paper. The note, whether retained by the company or placed in circulation as commercial paper, is in effect security in addition to the policy upon which the loan is made, and under which the policy is not the 'sole security' for the loan.

I am of the opinion that your policy loan agreement should be amended by eliminating the note and all reference to a note or to any security other than the policy upon which the loan is made."

SUBS. 7 and 8. POLICY LOANS

What Headings for first Column of Table of Values in Standard Life Policy are Lawful.

Extract from letter of the Superintendent, dated November 15, 1909, to Manhattan Life Ins. Co.

"The matter of the proper heading for the first column of the Table of Values in the forms of life insurance policies has been the subject of no little thought because of the variety of ways in which it has been presented.

I have therefore submitted to the Counsel to the Department,

the question as to headings for this column which seem to be acceptable and in accordance with the requirements of the Insurance Law of New York, section 101, subdivisions 7 and 8, and the following is a copy of the memorandum of his opinion thereon:

'The policy must set forth, in the language of the *Loan* clause and in the table attached, that the *loan* is available 'after three full years' premiums have been paid.

Expressions in the heading of the table are acceptable where the proper loan value is set forth on the line after '3' (meaning years) as,

(a) 'After payment of premiums for.'

(b) 'Number of years premiums paid.'

(c) 'After policy has been in force,' provided the 'Loan value' column is explained by foot note, stating that the loan value set forth in the table is available *during* the third year after premiums for that year are paid.

(d) 'At end of' provided the same footnote explanation is made as in 'c' above.

To this it may be added that forms (a) and (b) are the ones which are more especially approved, although form (c) or form (d) will be accepted.

The foot note, if used, should state in substance, that: 'The loan values,' provided for in the above table, for the end of policy-years can be obtained (less interest) during such policy-years, as set forth in the above clause entitled 'Loans.'

In case the table contains loan values opposite '2' (meaning years) the column may bear the heading: 'After policy has been in force' or 'At the end of year,' provided the values are equal to or greater than the values required by the terms of section 101, subdivision 7 and are made available during the policy-year."

Loan Values in Single Premium Policies to Begin First Year

Ruling of September 11, 1912.

"Form 705, disability, participating, single premium life or endowment, should be amended in the following particulars:

1st. Clause 11, entitled 'Loans' on page 3, should be amended so as to provide loans for the first policy year, inasmuch as more than three full annual premiums have been paid on this policy at its inception. Sub. 7 of section 101 requires that in the case of such a policy, loan values must be available during the first policy year, subject to the company's right to defer loans for a period not exceeding six months."

Idem

Ruling of November 7, 1912.

"Second. Line 36, strike out the words 'after three full years.' Sub. 7 of section 101 requires that policies shall provide loan

values ' after three full years *premiums* have been paid,' and since in the case of a single premium policy *more* than three full years' premiums are paid at the inception of the policy, loan values should be available forthwith, subject to the conditions which may be imposed under said sub. 7.

Fourth. It follows from point second, above, that in the ' Table of Loan and Surrender Values ' loan values should be shown for the first and second policy years."

SUB. 10. REINSTATEMENT

Policy Should Contain Reinstatement Provision

Ruling of August 3, 1909.

" The policy shall contain a provision that the policyholder shall be entitled to have the policy reinstated at any time within three years from the date of default and should follow the wording of the statute in regard to evidence of insurability, payment of overdue premiums and the rate of interest thereon."

Policy May State That Rate of Interest on Premiums in Default Shall not Exceed Six Per Centum Per Annum

Ruling of November 9, 1909.

" The rate of interest on premiums in default, in case of an application for reinstatement, may be set forth in the provision in the policy which relates to reinstatement by saying that such interest shall be ' at a rate not exceeding six per centum per annum.' "

SUB. 11. APPLICATION TO SINGLE PREMIUM POLICIES

Ruling of December 31, 1909.

"A certain company asked:

' Which of the provisions that are required to be made a part of other policies may be omitted from a paid-up policy to be issued in exchange for a premium-paying policy, in fulfillment of its conditions? '

The ruling thereon was as follows:

Provisions 1, 2, 4, 6 and 10 of section 101 are not applicable to such a policy.

Provision 3 is applicable only as to the first part thereof, since there is no application.

Provision 5 may apply, or it may not apply. It applies if the paid-up policy is participating and if it is non-participating it does not apply. If the paid-up policy is non-participating the fact should be stated plainly on the face of the policy.

Provision 7 should be modified by omitting any reference to premium payments, and as thus modified the policy should provide for loan values not less than those specified in the statute, which loan values shall be available at any time, subject to the company's right to defer such loans for not exceeding six months and to collect interest thereon in advance.

Provision 8 is not applicable except as to the loan values. Loan values should begin with the first policy-year.

Provision 9 may apply, or it may not apply. If the original policy provided for installment payments, doubtless the paid-up policy should contain the same provision unless the policyholder waives that feature when taking out the paid-up policy. Or, in case the original policy did not contain the installment feature, the company might, upon the request of the policyholder, include the installment feature in the paid-up policy and the table of installments would then be required. That provision is thus largely under the control of the company.

While it seems that, as above noted, provision 2 is not directly applicable it is thought the policy should recite that it shall be incontestable from its date of issue except for violation of the conditions of the policy relating to military or naval service, in time of war."

NOTE.— The above rulings are intended to cover the case of a paid-up policy issued at the termination of the premium-paying period of a limited premium contract and might require some modifications in the case of a paid-up policy issued on the surrender of a policy which had lapsed for non-payment of premiums.

Section 102 — Domestic Companies Issuing Participating Policies Not to do a Non-Participating Business

SUB. 1. DOMESTIC CORPORATIONS RESTRICTED AS TO CHARACTER OF BUSINESS

Domestic Company Cannot do Business on Both Plans at one Time

Extract from letter dated June 20, 1906, from the Attorney-General to the Superintendent of Insurance.

"A domestic stock life insurance company can change from non-participating to a participating business, but at any particular time must do one or the other."

Foreign Life Insurance Companies Heretofore Licensed May do Both Participating and Non-Participating Business

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that foreign life insurance corporations heretofore licensed may hereafter be licensed if they do both a participating and non-participating business."

(See § 83, sub. 7; also § 103, sub. 11-c.)

(See Op. A. G. Sept. 1, 1906, overruling Op. June 20, 1906.)

Non-Participating Company after January 1, 1907, *May Not Use Participating Forms*

Extract from letter dated November 20, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"On the understanding that your company is to do business on the non-participating basis on and after January 1, 1907, I am of the opinion that after that date changes from non-participating to participating forms may not be made and that changes from participating to non-participating forms or changes 'to different forms in the same branch' may be made. The changed policy bearing the date of issue of the original policy should be written on the form in use at the time the original was issued."

Old Lapsed Participating Policy May be Reinstated After January 1, 1907

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your first question is:

(1) 'In event of a participating policy having lapsed and application being made for reinstatement after January 1, 1907, would we be entitled to reinstate the old policy, giving to the assured the right to participate again in the surplus of the society?'

To this my answer is in the affirmative."

Old Participating Policy May be Changed for Another Form of Participating Policy

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your second question is:

(2) 'In event of a policyholder desiring to change the form of his policy after January 1, 1907, from a participating form, could we 'issue' a new

form with the right to participation on the plan desired, or would it be necessary for us to refuse such applications for change unless they were changes to non-participating forms ?'

To this my answer is, a participating policy issued prior to January 1, 1907, may after that date be exchanged for another form of participating policy written on the original age and date of issue."

Company on Non-Participating Basis Not to Reinsure Participating Policies

Extract from letter dated July 26, 1907, from the Attorney-General to the Superintendent of Insurance.

"* * * You state that under date of November 14, 1906, the Actuary of the Metropolitan Life officially advised your Department that, 'after the first day of January, 1907, this company will go exclusively on a non-participating basis.' * * *

I am, therefore, of the opinion that any insurance contracts of other companies assumed by said company on or after January 1, 1907, must be exclusively non-participating and that they are forbidden by the clearest implication of law to enter into any participating contracts, even though such contracts were issued by such other companies prior to the date mentioned."

Statute Does not Distinguish between Mutual and Stock Companies

There is no distinction in law between a mutual life insurance company doing participating business exclusively and a stock company doing a non-participating business exclusively.

(See Op. A. G. Jan. 27, 1908.)

Non-Participating Company May Take Over Only Non-Participating Policies

Company doing a participating business may take over the policies of a company doing a like business but not otherwise.

(See Op. A. G. Oct. 19, 1908.)

A Company Has No Right to Change from a Participating to a Non-Participating Basis

On September 24, 1909, the Attorney-General advised the Superintendent of Insurance that a non-participating company

which has changed to do a participating business cannot thereafter return to a non-participating basis.

(See Opinion of Attorney-General.)

Legal Reserve Non-Participating Life Insurance Company Transacting Business Exclusively on Non-Mutual Basis May be Admitted to This State

Extract from letter dated February 1, 1911, from the Superintendent to Mr. Archibald H. Taylor, Baltimore, Md.

"* * * You ask:

'Will you please inform me if an admitted legal reserve non-participating life insurance company can write business in the State of New York?'

A stock life insurance corporation of another State, transacting its business exclusively upon a non-mutual basis, may be admitted to do business in this State, and thereafter shall issue only non-participating policies."

SUB. 2. EXCEPTION, ANNUITIES

Term "Annuities" Includes Survivorship Annuities

Extract from letter dated December 20, 1906, from the Superintendent to New York Life Insurance Company.

"You write:

'On behalf of the New York Life Insurance Company, I am instructed to ask for your opinion as to whether the term 'annuities' as used in section 102 of the Insurance Law includes survivorship annuities.'

In my opinion the term 'annuities,' as used in section 102, of the Insurance Law does include survivorship annuities."

SUB. 3. INTERPRETATION AND APPLICATION

Company May Make Non-Participating Dividend Additions to Policies Issued Prior to 1907

Extract from letter dated March 12, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am of the opinion that you can properly continue the practice of making dividend additions on the non-participating basis to the old annual dividend policies on your books. This also applies to the paid-up or extended insurance given for the sur-

render of your ten-year terms issued prior to January 1, 1907. Such paid-up or extended insurance policies should preferably be carried on the original numbers as that will tend to lessen errors in valuation."

Meaning of Word "Issued" as used in §§ 83 and 102 Synonymous With "Written" as used in § 103

(See § 83, sub. 1.)

Section 103 — Annual Reports of Life Insurance Corporations

SUB. 1-G. REPAIRS AND IMPROVEMENTS

Accounts Should be So Kept as to Separate Repair and Improvement Items from Other Expenses on Real Estate

Extract from letter dated December 26, 1906, from the Superintendent to The Manhattan Life Insurance Company.

"Your letter of the 24th inst., referring to Schedule A of Part I of the life statement blank, is received. The subheading 'Expended for repairs and improvements' under 'Operations during 1906' does not call for taxes or running expenses of home office building. This subheading is incorporated in the blank in conformity with an express provision contained in the amended Insurance Law, section 103, subdivision 1. 'Repairs and improvements' cannot be more accurately explained in the judgment of this Department by the use of any other words. The accounts of your company should be so kept as to separate repair and improvement items from your other expenses on real estate. We do not suppose that you will desire a statement as to what constitutes your 'gross income.' Your 'net income' will represent the difference between your gross income and all expenditures for repairs and improvements, taxes, water rents and running expenses of your office building."

SUB. 1-L. PURCHASES AND SALES OF REAL PROPERTY

Sale to Company on Foreclosure Brought by it Constitutes a Purchase Which Should Appear in Report

Extract from letter dated January 14, 1907, from the Superintendent to The Travelers Insurance Company.

"In reply to your letter of the 12th inst., regarding proper return to be made by your company in Schedule A, Parts 2 and

3, as printed on page 10 of Part A of the annual statement life blank, you are advised that the foreclosure of a mortgage on a parcel of real estate passing the title to the company constitutes a purchase which should appear in Schedule A, Part 2, with a statement to the effect that it was a foreclosure.

Part 3 of this schedule is intended to show all parcels of real estate sold during the year. It is immaterial whether the property was acquired by direct purchase or through foreclosure proceedings."

SUB. 2. LOANS UPON SECURITY OF REAL PROPERTY

All Mortgages Acquired or Disposed of During the Year Must be Included in Annual Report

Extract from letter dated January 23, 1907, from the Superintendent to New York Life Insurance Company.

"Your letter of the 22d instant, in the matter of the ruling of the Department that all mortgages acquired or disposed of during the year 1906 must be returned in the schedule carried in Part B of the annual report blank at pages 6 and 7, is received.

This schedule as put up in the blank follows the precise phraseology of subdivision 4 of section 103 of the amended Insurance Law and the Department is not prepared to sanction any changes or modifications therein.

We appreciate the fact that the modifications, as suggested in the memoranda covered in your letter, would make an exhibit much more appropriate for a showing of mortgage loans. Still, in order that uniformity may be maintained, it seems desirable that the present schedule as carried in the blank be used for the purpose of these returns, adjusting such returns in so far as possible to the schedule as set forth in the blank."

SUB. 3. LOANS OTHER THAN MORTGAGE LOANS OR POLICY LOANS

Collateral Loans Are Required to Appear But Once in Schedule Thereof in Annual Statement

Extract from letter dated December 13, 1906, from the Superintendent to New York Life Insurance Company.

"In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the

third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised that the Department holds that any collateral loan in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.

Following this ruling, you will note that there will be no duplication of the collateral loan returns. They will be required to appear but once in the schedule of collateral loans."

Collateral Loan Schedule: Collaterals Held on January 1, 1906, *Represent Starting Point in Returns to Department, Changes Made Thereafter Must be Reported*

Extract from letter dated January 25, 1907, from the Superintendent to New England Mutual Life Insurance Company.

"Your letter of the 24th instant, in reference to collateral loan schedule carried at pages 2 and 3 of Part B of our annual statement blank and asking for specific advices as to how 'certain loans' should be listed, is received. The case cited is as follows:

'Loan made August 1, 1902, renewed every six months; renewed August 1, 1905, for six months which established it on hand January 1, 1906; renewed again February 1, 1906, for six months and again for six months from August 1, 1906, leaving it outstanding January 1, 1907.'

It would seem desirable to quote the following from a letter addressed by this Department under date of December 13, 1906, to the New York Life Insurance Company:

'In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised

that the Department holds that any collateral loan in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.'

Any collateral loan of the character referred to in your letter in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2. Any collateral loan made during the year 1906, of the character referred to in your letter, and held at the close of the year 1906 should be returned in subdivision 2, page 2. The date of the loan is the date that it was originally made by the company. In the column 'Maturity of Loan,' should be carried 'for six months with privilege of renewals.'

In your letter herewith acknowledged you state: 'We presume that no collateral changes prior to January 1, 1906, are to be listed.'

In reply: The collaterals held on January 1, 1906, for any particular loan represent the starting point for the return to the Department to be made in connection with such loan. Changes made in the collaterals after January 1, 1906, must necessarily appear."

SUB. 4. ALL OTHER PROPERTY

Schedule of all Property (Not Included in Real Estate, Mortgage or Collateral Loan Schedules) Owned by the Company; What to Appear Therein

Extract from letter dated December 11, 1906, from the Superintendent to New England Mutual Life Insurance Company.

"Further acknowledging your letter of November 19th, wherein you ask for a ruling of this Department as to certain returns to be made by a life company in the annual statement blanks furnished by us.

You first call attention to the schedule required in Part B of the Department blank at pages 6 and 7 called for under section

103, subdivision 4, of the amended Insurance Law. You refer to the heading of such schedule which reads as follows:

'Schedule of all Property (not included in Real Estate, Mortgage or Collateral Loan Schedules), owned by the Company or in which it has any interest, including all securities, whether or not recognized by law as proper investments, also all purchases and sales of Property (other than Real Estate), made during the year 1906.'

You then set forth in detail all the property and securities owned by your company or in which it has any interest, other than the classes specifically excepted above (Real Estate, Mortgage or Collateral Loan). The items mentioned by you are as follows:

'Stocks and Bonds (listed in Schedule D, Parts 1 and 2).
Premium Notes.
Loans on Policies.
Cash.
Interest due and accrued on Bonds.
Interest due and accrued on Premium Notes and Policy Loans.
Interest due and accrued on other assets.
Rents due and accrued.
Market Value of Bonds and Stocks over Book Value.
Uncollected and Deferred Premiums.'

To the first item: Stocks and Bonds, to which you call attention as being required to be returned in Schedule D, Part A of the statement blank. They are required to be returned in said Schedule D but not with that detail required in Part B of the life blank and for that reason a duplication will be necessary as they must be returned in Part B in the schedule under discussion.

Premium Notes and Loans on Policies will not be required by the Department to be returned in this schedule. (Part B, pages 6 and 7, edition of 1906.)

Cash will not be required to be returned in this schedule.

The various Interest items: Rents and Market Value of Bonds and Stocks over Book Value, will not be required to be returned in this schedule. In connection, however, with bonds and stocks, as you have been advised, they will be required to be returned in this schedule as in such schedule appears the Book Value and Market Value.

Uncollected and Deferred Premiums will not be required to be returned in this schedule.

You continue with the suggestion that the record of 'Stocks and Bonds Purchased During 1906,' required in this schedule will, as you understand it, be practically a duplication of these securities furnished in the schedule on the preceding page of Part B, namely, subdivision 5, with the exception of the addresses of the payees. As you assume, the item on page 7, 'Outlay other than Cost,' will be the same as 'Amount of Commission' on page 4. It is true, as you suggest, that there is a duplication in these two schedules. It is unavoidable in preparing the blank in accordance with the amended Insurance Law. The two items referred to by yourself may be identical and they may not be. The item, 'Outlay other than Cost' may, at times, contain other items than the 'Amount of Commission.' In such cases these items will not, as you assume, be the same."

Adjustment for Bonds Bought at a Premium or at a Discount

Extract from letter dated January 18, 1907, from the Superintendent to Security Mutual Life Insurance Company.

"In further acknowledgment of your letter of the 14th instant regarding schedule of all property, etc., in the life statement blank, you are advised that the part which you quote: 'Actual cost with adjustment if made for amortization of premium and accrual of discount,' does not require adjustment for amortization or accrual *unless made by the company.* We find, however, that it is the practice of practically all companies to make a suitable adjustment to bring the value of the bonds to par at their maturity. There are, however, two or three different methods of adjustment, the best of them, however, being as follows, taking bonds bought at a premium for our example:

'Calculate the rate of interest earned upon the bond, taking account of the price at which it was purchased. When this rate of interest is obtained, determine the sinking fund which would wipe out the premium year by year until the bond matures.'

An actual example of this would make the matter much more clear. Let us take Boston city 4 per cent. bonds, which mature 1st of July, 1936, and which could have been bought on August 17, 1906, at a premium of $30 per $1,000 bond, plus accrued interest from 1st July to August 17. In order that the details

of the transaction may be more readily seen we shall assume that a large amount has been bought, namely $1,000,000. By the use of published interest tables, which your actuary doubtless has in his department, it is found that the rate of interest earned on this transaction is 3.83 per cent., making provision for the sinking fund to amortize the premium of $30,000 at the same rate of interest (3.83). On the 31st of December, 1906, there would be four months and thirteen days accrued interest which, on an investment of $1,030,000 would be $14,574.21, which is partly interest and partly sinking fund. The accrued interest on the 31st December due to you is at the rate of 4 per cent. on $1,000,000 for four months and thirteen days, and amounts to $14,777.76. The difference between the last-mentioned amount and $14,574.21 is the amortization or sinking fund ($203.55). According to this method the amount which should appear in accrued interest is $14,574.21, the balance of $203.55 being charged to bond account. The book value of the bonds on the 31st December, 1906, is $1,030,000 less the sinking fund, $203.55, i. e., $1,029,796.45, and the *actual cost* allowing for amortization of premium is the same.

We suggest that the foregoing plan be used by you in the future."

SUB. 5-B. LEGAL EXPENSES

Schedule of Legal Expenses; What to Contain

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

"Your third inquiry reads as follows:

'Schedule 5 of Part B, annual statement [edition of 1906]: 'Legal expenses paid in 1906.' In our legal expense account are charged expenditures in connection with matters before legislative bodies. Are we to include these payments in Schedule 5, also in Schedule 6, or enter them only in Schedule 6?'

In reply to your inquiry: On page 5 of part B is a schedule of legal expenses paid during 1906, in detail, required under section 103, subdivision 5, of the amended Insurance Law.

On page 8 of part B is a schedule of all expenditures in connection with matters before legislative bodies, officers, or depart-

ments of government during 1906 required under section 103, subdivision 6, of the amended Insurance Law, whether such expenditures be for legal services or otherwise.

These two schedules are prepared in accordance with the law. The officers of the companies in making returns in connection therewith are expected to comply with the spirit of the law."

SUB. 8-B. PAYMENT OF MORE THAN $5,000 TO ANY PERSON, FIRM OR CORPORATION

All Payments Over $5,000 *Including Payments Made to Agents in the Nature of Commission Must be Returned in Schedule G*

Extract from letter dated January 29, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

"Your communication of the 28th instant, referring to the proper return to be made in Schedule G of Part A of the annual statement in connection with commission payments to agents amounting to over $5,000, is received.

This question has had the careful consideration of the Department and under date of November 15th the Massachusetts department was advised in reply to the following inquiry: 'Referring to schedule G, page 16, part A of the life blank (edition of 1906), which is designed to cover the requirements of paragraph 8 of section 103 of the New York law, permit me to inquire if your Department construes this schedule to include commission to agents if the amount paid to any one person during the year 1906 amounts to more than $5,000'; that 'any person, firm or corporation acting as agents for a life insurance company receiving commissions of over $5,000 in any year, must appear in Schedule G.'"

SUB. 8-C. SCHEDULE OF SALARIES PAID FOR AGENCY SUPERVISION

Companies Must Make Return of All Salaries Paid Any Representative Either at Home or Branch Office or Agency of the Company for Agency Supervision

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

"Your first inquiry reads as follows:

'Schedule H of Part A, annual statement [edition of 1906]: Salaries paid in the year 1906 to any representative, either at the home office or in any

branch office or agency of the company for agency supervision. Is it your intention that we include in this schedule salaries paid to our industrial department superintendents, assistant superintendents, clerks in their offices, and division managers at the home office having charge of the industrial superintendencies, and the salaries paid for agency supervision of our ordinary department to the agency managers at the home office and agencies, including clerks or local cashiers in our ordinary department managers' agency offices, or only the salaries paid for agency supervision of our ordinary department to the agency managers at the home office and agencies? When these salaries amount to over $5,000, are they also to be included in Schedule G?' [Edition of 1906.]

In reply: Schedule H contemplates the return of all salaries paid in the year 1906 to any representative, either at the home office or any branch office or agency of the company for agency supervision. This contemplates a return showing the payment to an agency supervisor, not necessarily to a clerk employed by such an agency supervisor. There is no distinction made between the ordinary and industrial departments of companies doing both classes of business. The compensation to an agency supervisor in either of such departments should appear in the schedule.

* * * * * * * * * *

Where the payment to an agency supervisor is over $5,000, such payment should be returned in Schedule G. In such schedule is a proper column showing the title of his position. Any agency supervisor, either at the home office or at any branch office or agency of the company receiving a compensation of less than $5,000, should appear in Schedule H."

Salaries of Agency Supervisors, How Reported

Extract from letter dated January 21, 1908, from Superintendent to Mutual Life Insurance Company.

"You state that:

'We have in our service several men who are on the home office payroll, who aid and assist our vice-president and superintendent of domestic agencies in his general administrative supervision of the field. These men are designated as 'agency supervisors,' but being home office employees and not men who report to the managers, the question has arisen as to whether the expense for their salaries shall be reported under No. 19, 'Agency supervision, traveling and all other agency expenses,' or under No. 21, 'Salaries and all other compensation of officers, directors, trustees and home office employees.'

The district managers of this company are salaried employees, and are engaged in the supervision of agents and solicitors in their territories. They are assisted in this work by assistant managers and superintendents. Will you kindly decide whether the amounts paid for this service shall be reported under No. 18, 'Salaries and allowances for agencies, including managers, agents and clerks,' or under No. 19, 'Agency supervision, traveling and all other agency expenses.'

I am of the opinion that the compensation of the assistants to your second vice-president should be charged to item No. 21 of page 3 of the annual statement, and that of the district managers engaged in the supervision of agents should be charged to item No. 19 and also included in Schedule 'H' of the statement." [Edition of 1906.]

SUB. 9. LARGEST BANK BALANCES DURING EACH MONTH OF THE YEAR

Instructions for Making Returns on Blank

Extract from letter dated December 21, 1906, from the Superintendent to The Columbian National Life Insurance Company.

"Your letter of the 20th instant regarding Schedule E in Part A of the annual statement blank [edition of 1906], which calls for a showing of the largest balances carried in each bank during each month of the year, is received. This schedule is required by the ninth subdivision of section 103 of the amended Insurance Law of this State, which reads: 'The largest balances carried in each bank or trust company during each month of the year.'

This necessarily means that all of the banks and trust companies with which you have deposits shall be listed and at any month in the year, where there is a balance deposited with such banks and trust companies, such balance shall be shown and that the day of the month when the largest balance is on deposit shall be the day used for the return.

Your suggestion that in totaling these balances, representing different days in the month, you have an improper showing, is a fact. In preparing the final revise of the blank this 'total' was through an inadvertence added. The return should be made in accordance with the instructions contained in this letter and the 'total' should be eliminated."

SUB. 11-B. MARGINS UPON PREMIUMS

Mortality Gains by the Select and Ultimate Method, How Computed

Extract from letter dated January 27, 1908, from the Attorney-General to the Superintendent of Insurance.

"* * * The so-called 'instructions,' to which objection is made, are contained in Schedule Q of the annual statement forms, which schedule relates to the margins and expenses for the first year of insurance, and are as follows:

MORTALITY GAINS BY THE SELECT AND ULTIMATE METHOD

1. As to all policies where such gain computed by the formula exceeds the net premium (Am. Ex. 3½ per cent.) less one-half vqx (Am. Ex. 3½ per cent.), the excess of said net premium over said one-half vqx is to be taken as the gain; in other cases the full gain is to be taken.

2. As to all policies issued in 1907 and terminated in 1907, the proportionate part of the entire gain by the Select and Ultimate method, corresponding with the portion of the annual premium received, is to be included.

This schedule and the instructions accompanying it are prepared in accordance with the provisions of subdivision 11 of section 103 of the Insurance Law, as enacted by chapter 326 of the Laws of 1906. * * *

The obvious purpose of this requirement is to enable the Superintendent of Insurance to ascertain whether the limitation upon the amount which may be expended by life insurance corporations in procuring new business, contained in section 97 of the Insurance Law, has been complied with. * * *

The insurance companies * * * contend that this section prescribes the measure of a fund, the total of which may be used by them for the purposes enumerated, regardless of the provisions of any other section of the Insurance Law; that it is a limitation upon the total expenditure but is not a limitation upon the expenditure of any particular agent or as to any particular policy. This construction is directly contrary to the construction placed upon this section by the Appellate Division of the Supreme Court, Third Department, in the case of Boswell v. Security Mutual Life Insurance Co., reported 119 App. Div. 723. * * *

It is the clear duty of this office, in advising a Department of the State government, to follow the judicially construed meaning

of legislative enactments. Sections 84, 97 and 103 of the Insurance Law in their present form were enacted by chapter 326 of the Laws of 1906, known as the Armstrong bill, and all must be construed and read together as they constitute one comprehensive scheme of remedial legislation. Under date of November 21, 1907, I submitted to you an opinion as to the construction of sections 84 and 97 of the Insurance Law and under the ruling in the Boswell case and the logical deductions therefrom, I see no reason to modify the views therein expressed. The first 'instruction,' as above quoted, is in conformity to that opinion and I believe it to be in accordance with the provisions of the statute.

As to the second 'instruction' above quoted, however, I am of the opinion that the same is not warranted by the statute. Section 97 expressly permits the use by the company of the aggregate amount derived from the 'total loadings' and from 'the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or installment thereof, has been received during said calendar year.' I can see nothing in this language permitting the limitation of these so-called gains to a 'proportionate part' thereof. The statute plainly says that the whole gain is available if any installment of the premium has been paid. The only limitation is that covered by my former opinion, namely, that there first must be set aside from the premiums received an amount sufficient to pay the cost of carrying the policy at select rates to the date when the next premium or installment thereof is due; and the whole of the balance of the premium actually received by the company would seem to be available to the company as a 'margin' under section 103, provided, of course, that such balance does not exceed the 'margin' permitted, that is, the aggregate of the loadings and the assumed gain. * * *"

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

Extract from letter dated October 23, 1908, from the Superintendent to J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York.

"Your favor of the 21st instant relating to the interpretation which is to be placed by the Department upon the language of

section 97 of the Insurance Law, has been received. I quote from your letter the following:

'Under the instructions appended to Schedule Q covering the business of 1907, as well as under various Department rulings, the information to be set forth therein is upon the basis of premiums on policies issued in 1907, which were either collected in 1907, or outstanding or deferred on December 31st of that year. All items received or disbursed in 1907, which pertained to policies issued in 1906, were excluded.

If this schedule were put on the so-called cash basis for the year 1908, it would of course mean that the loadings on all first-year premiums actually collected in 1908, whether or not the policy was issued in the year previous, would be included in the calculation and that loadings on semi-annual and quarterlies outstanding or deferred December 31, 1908, on issues of 1908, would be excluded. As to mortality gains, I suppose it would mean that a full year's mortality gain should be included on all policies where the first premium or instalment thereof is actually collected in 1908, using the proportional gain in cases of terminated policies. The commissions would be those paid or to be paid on all premiums actually collected in 1908 and the medical fees those payments in 1908 which pertain to new business.'

The ruling contained in my letter to the Metropolitan Life Insurance Co., dated July 9, 1906, and the instructions appended to Schedule Q covering the business of 1907, were worded to fit the then circumstances of the case, and with the knowledge that they would necessarily have to be modified after the first year.

I would advise you that, beginning with the business of the current year, Schedule Q should be made up in accordance with the second paragraph quoted from your letter."

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q" for 1908

Extract from letter dated April 29, 1908, from the Superintendent to The Travelers Insurance Company.

"Your favor of the 23d inst. was received by due course of mail; in full it reads as follows:

'In the instructions for making up Schedule Q of the annual life statement for 1907, your Department stated that the calculations for expenses and allowances on first year's business were to be based upon policies issued and paid for in 1907. This would mean that a policy issued in 1906 and paid for in 1907 was not to be included. I assume that your ruling was based upon several points in the Insurance Law of 1906, among others the first part of section 97 (Limitation of expenses): 'No domestic life insurance company shall in any calendar year after the year 1906,' also in section 84 a part of the third sentence is as follows: 'Provided that the legal

minimum valuations of all contracts issued on and after the first day of January, 1907, shall be,' etc. I conclude, therefore, that you used the words 'issued and paid for' because you did not think the law should apply in any way to any period preceding 1907. Inasmuch as the instructions restricted to business issued and paid for in any particular year would mean that if applied to 1908, or to any future year, the business issued in one year and paid for in another year would be entirely left out, and inasmuch as limitation of expenses in section 97 refers to 'the policies on which the first premium or instalment thereof has been received during said calendar year,' I assume that in making up Schedule Q for the year 1908 and in the interpretation of section 97 in general, as far as first year's expenses are concerned, those policies are to be considered on which the first premium or first instalment thereof has been received during said calendar year; and I assume that the calculations are not to be confined to policies issued and paid for during the year as in the case of 1907.

'I shall be glad to know if this is your interpretation of the law.'

To this my reply is in the affirmative."

Mortality Gains by Select and Ultimate Method of Valuation in Schedule "Q"

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

* * * * * * * * * *

"I advise you that under the decision of the Court of Appeals (Boswell v. Security Mutual Life Insurance Co., 193 N. Y., p. 465) this section (97 of the Insurance Law) is to have no effect whatever upon contracts with agents entered into before its passage. * * *

The mortality gains (by Select and Ultimate method) reported in Schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or another upon the amount which the company can expend for new business.

In considering this question it should be borne in mind that not every contract which antedates the enactment of this section (97) is excluded from its limitations. Only those contracts so entered into which have a definite period to run, which has not yet expired, are so exempt."

(See the opinion in full, beginning at page 60, Part V of 1909.)

SUB. 11-C. FOREIGN CORPORATIONS

Separate Statement Required in Reporting Participating and Non-participating Business.

Companies now issuing non-participating policies which in the past issued both participating and non-participating, required to make separate statement of profits and losses with reference to participating and non-participating business in annual report.

(See Op. A. G. Sept. 7, 1906.)

Separate Statement of Profit and Loss, etc., on Participating and Non-Participating Policies Issued by Foreign Corporations Must be Made

Extract from letter dated September 28, 1906, from the Superintendent to The National Life Insurance Company.

"The language of the subdivision is mandatory, and your company will be required to make a separate statement of profits and losses, etc., with reference to your participating and to your non-participating business."

Separate Statement of Profit and Loss Exhibit on Participating and Non-Participating Policies Not Necessary When Foreign Company Has Discontinued Use of One Form

Extract from letter dated January 8, 1907, from the Superintendent to The Mutual Benefit Life Insurance Company, referring to section 102 and subdivision 11 of section 103.

"Reading these provisions together I am of the opinion that foreign life insurance companies of other States formerly issuing both participating and non-participating policies, and which on the 1st inst. discontinued issuing one of these forms, will not have to make the 'separate statements' mentioned in the subdivision referred to above."

SUB. 12. GAINS ON POLICIES WRITTEN AFTER 1906

Meaning of the Word "Written" in Section 103, *and "Issued" in Sections* 83 *and* 102

(See ruling of Jan. 8, 1907, § 83, sub. 1.)

Section 110 — Incorporation

Automobile Collision Insurance Prohibited Under Section 110

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

"It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110."

Section 141 — Rate-Making Associations

Group Insurance; When Reduction in Rates Constitutes a Discrimination

Extract from letter dated January 28, 1913, from the Superintendent to the Standard Accident Insurance Company.

"Supplementing our letter to you under date of the 7th inst., and in reply to your communication of Dec. 31st, you are advised that it is our opinion that the insurance of all of the employees of a factory at a uniform rate, calculated to represent the fair average of risk presented by the individual group, would constitute a discrimination in favor of one individual and against another in the group which would come within the prohibition of section 141 of the Insurance Law."

(See also § 89, sub. 4.)

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ABSTRACTS OF REPORTS

ON

OFFICIAL EXAMINATION

[415]

The following abstracts of reports on examinations are arranged alphabetically in the following groups:

Fire Insurance.

Marine Insurance.

Co-operative Fire Insurance.

Life Insurance.

Casualty, Fidelity and Surety, and Credit Insurance.

Real Estate, Title and Mortgage Guaranty.

Co-operative Life, Accident and Health Insurance.

Fraternal Beneficiary Insurance.

Live Stock Insurance.

Special Reports — Rating Associations — Promotion and Holding Companies.

Fire Insurance Companies

ALLIANCE ASSURANCE COMPANY, LIMITED

LONDON, ENGLAND

Examination to verify capital statement on company's application for release of deposit securities.

Report dated April 1, 1913.

Examiner: Charles H. Gardner.

This examination was made for the purpose of verifying a capital statement of the company submitted to the Department under date of March 27, 1913, on its application to withdraw securities representing its "fire deposit" held by this Department and those in the hands of trustees for the protection of policyholders in the United States.

The securities entered in the said capital statement were verified in the following manner, viz.: those on deposit at Albany, the face value amounting to $250,000, from the records of this Department, and those held by the United States trustees, representing a face value of $303,000, by an examination and personal count thereof on date of March 27, 1913.

The Alliance Assurance Company, Limited, of London, England, was admitted to transact the business of fire insurance in this State through its United States branch in July, 1897. The firm of Weed & Kennedy of New York were appointed United States managers of said company, and said firm have continued to act in such capacity to date. The company also established separate departments located at Boston, Mass., Philadelphia, Pa., Chicago, Ill., San Francisco, Cal., Louisville, Ky., and New Orleans, La. The above mentioned departments were under control of branch managers who reported the financial condition of their respective branches direct to the home office at London, England. Said branch managers also reported to the United States manager at New York the results of business transacted through their respective departments, and the figures thus furnished were incorporated in the financial statement submitted by the company to this Department at the close of each year.

On December 31, 1907, the company discontinued the further issuance of fire insurance policies in the United States.

The records contained in the office of the United States manager at New York contained no information incident to the company's transactions through the offices of the several branch managers. Affidavits were procured from said branch managers certifying that no liability existed for any reason whatsoever on any policy issued by the company through the said branch offices. The affidavits above referred to certify as of December 31, 1912, with the exception of the one received from the branch manager at San Francisco, Cal., who certifies as of February 28, 1913.

It developed that there existed a claim amounting to $4,850 against the Alliance Assurance Company, Limited, of London, England, under a contract of reinsurance with the Palatine Insurance Company, Limited, of London, England, issued through its Pacific coast branch office at San Francisco, California. It was necessary to provide for such liability before the trustee funds could be released, and the matter therefore was brought to the attention of the home offices of both companies, with the following result:

On February 18, 1913, at a meeting of the board of directors of the Palatine Insurance Company, Limited, held in London, England, resolutions were passed, the substance of which certified to the Superintendent of Insurance of the State of New York and other insurance commissioners in the United States that said company "relinquishes and withdraws" the claim of $4,850 against the Alliance Assurance Company, Limited, of London, England. A further resolution was executed on the same date by said board of directors, which certified to E. T. Niebling of San Francisco, Cal., United States branch manager, that the company "relinquishes and withdraws" the claim amounting to $4,850 made against the Alliance Assurance Company, Limited, of London, England, and further the said E. T. Niebling is authorized to eliminate such claim from the books of the company.

The action taken by the board of directors of the Palatine Insurance Company, Limited, at London, England, is conveyed in two instruments duly sworn to and bearing the seal of said company, together with a certificate attached to each document from the Consulate General of the United States of America for Great Britain and Ireland at London, certifying thereto. Both documents are attached to this report.

An affidavit was also procured from Elijah R. Kennedy, a member of the firm of Weed & Kennedy, United States managers, certifying that on February 28, 1913, no liability existed in the United States for any reason whatsoever on any policy issued by the United States branch of the company.

The affidavits referred to in this report —seven in number — are attached hereto and form a part thereof.

I, therefore, certify that from information obtained from the United States managers, and from affidavits attached to this report, that on February 28, 1913, all policies of insurance issued by the United States branch of the Alliance Assurance Company, Limited, of London, England, had either expired by their terms or had been cancelled, and that no liability existed on said date for any reason whatsoever.

AMERICAN UNION FIRE INSURANCE COMPANY

Philadelphia, Pa.

Joint Examination on Condition as of March 1, 1913, *by the States of Pennsylvania and New York*

Report dated March 12, 1913.

Examiners: William J. Rooney, for Pennsylvania; Charles H. Gardner and John E. Watson, for New York.

This examination was undertaken at the instance of the Examination Committee of the National Convention of Insurance Commissioners, and commenced on Monday, February 24, 1913, So serious a situation developed within a few days' time that advices were submitted to you on the 1st inst. indicating the necessity of taking such action as would best conserve the interest of the policyholders and, if possible, preserve the corporation. On it being definitely ascertained that the company's capital was at least heavily impaired, Vice-President Kling, in the absence of President Stone, was duly informed of the fact. He confidently expressed his belief and intention that the directors would take steps looking to rehabilitation of the company. To such end it was

proposed to re-insure the entire outstanding risks of the company, and, in order that this might be effected, an agreement was entered into under date of the 7th inst., between the company and certain directors, under the terms of which the sum of $200,000 was to be advanced by the latter for the purpose of defraying the cost of re-insurance and providing sufficient funds to pay all obligations of the company in full. This agreement reads substantially as follows:

"Whereas, the capital of the American Union Fire Insurance Company has been impaired to an amount which will force a receivership of the company under the direction of the Insurance Department of the State of Pennsylvania, and,

"Whereas, the Insurance Department of the State of Pennsylvania will permit a voluntary liquidation of the Company instead of a receivership, provided the sum of $200,000 is placed in the assets of the company, and,

"Whereas, it is the opinion of the Board of Directors of the company that a very large amount of money can be saved the stockholders of the company by voluntary liquidation rather than a forced receivership, and,

"Whereas, the parties whose names are hereto attached, hereafter called the party of the second part, have agreed to subscribe, as a loan and advancement to the company, the sums set opposite their names,

"Now, therefore, it is agreed between the parties hereto as follows:

"The party of the second part hereby agrees to pay into the assets of the American Union Fire Insurance Company the sum of $200,000 on or before 12 o'clock noon, March 10, 1913, as indicated by the amounts set opposite their names, and the party of the first part, in consideration thereof, hereby agrees to repay to the parties of the second part in proportion to their interests, either in whole or pro rata, the amounts hereby subscribed and paid in by them out of the assets of the company upon liquidation, after all outstanding indebtedness but preferred to the claims of stockholders on their certificates of stock, and the parties of the second part hereby agree that the payments hereby made shall be secondary in distribution to all outstanding legitimate indebtedness other than the capital stock liability."

On the same day this agreement was entered into, the board of directors removed from office the president, James F. Stone, who had sailed for Europe some two weeks before, and also accepted the resignations of the remaining officers, electing William H. Bilyeu, President; E. P. Balderston, Treasurer; and H. A. Prizer, Secretary.

Under like date of March 7, 1913, the company notified all local and general agents to cease the further issuance of policies, further advising the general agents to also notify all agents within their jurisdiction.

The plan as set forth in the agreement had the approval of the Pennsylvania Insurance Department, which gave the directors until Monday, March 10, 1913, at 12 o'clock noon, to pay in the funds called for. From the date of the agreement to the hour set for payment no intimation was received from the directors, nor from any one connected with the company, that any change in the plan was contemplated, but on the contrary, assurance was given that the terms of the agreement would be complied with. However, when the board of directors convened on the morning of the 10th inst. action quite contrary to that expressed in the agreement was taken,—that is, no advancement of moneys was made, nor was any re-insurance effected, but a petition was made to the Court of Common Pleas in the City of Philadelphia for the appointment of a receiver, and the court appointed Francis Shunk Brown, Esq., a temporary receiver.

Financial Statement

The financial condition of the company on date of March 1, 1913, was found to be as follows, viz.:

Ledger Assets		
Real estate	$18,400 00	
Loans on bond and mortgage (1st liens)	76,150 00	
Loan on bond and mortgage (2nd lien)	7,500 00	
Bonds	465,058 17	
Cash in bank	53,995 22	
Cash in office	389 66	
Agents' balances, within 90 days	287,760 28	
Agents' balances, over 90 days	170,591 15	
Premium notes	347 43	
Philadelphia Underwriters' Association	100 00	
Total ledger assets		$1,080,291 91
Non-Ledger Assets		
Interest accrued on bonds	$4,726 68	
Interest accrued on loans on bond and mortgage, (estimated)	2,000 00	
Reinsurance due on paid losses	3,063 99	
		9,790 67
Gross assets		$1,090,082 53

Deduct Assets Not Admitted

Loan on bond and mortgage (2nd lien)	$7,500 00	
Book value of bonds over market value	15,568 17	
Cash in Carnegie Trust Company	5,372 18	
Agents' balances, over 90 days	170,591 15	
Premium notes	347 43	
		$199,378 93
Total admitted assets		$890,703 65

Liabilities

Unpaid losses	$173,255 07	
Unearned premiums (estimated)	680,000 00	
Due for reinsurance	129,023 13	
Taxes (estimated)	25,000 00	
Agents' credit balances	244 00	
Total liabilities, except capital	$1,007,522 20	
Capital stock	500,000 00	
Aggregate liabilities		$1,507,522 20
Deficiency		$616,818 55

The foregoing statement shows the company's capital of $500,000 to be entirely wiped out, and the existence of a further deficiency in assets of $116,818.55.

ANNUAL STATEMENT

The statement as above set forth is in striking contrast to the sworn statement submitted to the Insurance Departments of Pennsylvania and New York December 31, 1912, which showed an unimpaired capital of $500,000, and a surplus in excess of $40,000. That the December 31, 1912, statement was false in many particulars in clearly shown by the records.

In the limited time at our disposal no attempt was made to analyze in detail the several items appearing in the annual statement, but the company's books conclusively prove that the assets were overstated and the liabilities understated; that accounts were juggled; that cash balances were credited that did not exist in the amount stated; that agency balances were improperly set forth; that the loss liability as reported was insufficient to the

extent of approximately $80,000; that the unearned premium liability was understated by approximately $100,000. It was further established that loans were effected prior to the first of the year and repaid subsequently which never appeared upon the books of the company.

As an instance, of the lengths resorted to in order that the company might present to the Insurance Departments a statement indicating solvency, the following transactions might be noted:

"Cash in office," was carried at $59,047.14. This sum included $31,000 purporting to be represented by a check of Verner & Company, a banking house with which Vice-President Kling was connected. The amount was charged up as having been deposited in the West Branch National Bank, of Williamsport, Pa., but the account as received from the bank shows that no such check had been received from the company. It was finally admitted that in so far as known by the employees, and in so far as known by Vice-President Kling, the check had no existence in fact, the further statement being made that the entry was made under direction of President Stone.

"Cash in bank" was carried as $215,134.88. This sum included deposits on December 31, 1912, in the Northern National Bank, of Philadelphia, purporting to represent checks from the following:

J. F. Stone & Company	$53,590 94
American National Insurance Company	32,309 68
Scranton Fire Insurance Company	6,098 20

That the above sums were in greater part either advanced or borrowed seems certain in view of the curious book entries, and because of the fact that apparently returns were subsequently made as follows:

Jan. 2, 1913, Company's check to order of J. F. Stone & Co.	$48,590 94
Jan. 2, 1913, Company's check to order of James F. Stone	30,441 81
Feb. 1, 1913, Company's check to order of James F. Stone	5,441 81

The check book shows the American National deposit item of $32,309.68 and the Scranton Fire Insurance Company deposit item of $6,098.20 marked "Advance," while the return item check stubs are marked respectively "Return of advance on unpaid portion of American National advance," and, "Return of advance on Scranton and American National."

The deposit item of $53,590.94, and the return item of $48,-590.94 have connection with the Monongahela Underwriters Agency of the Company, which is under the management of James F. Stone & Co. This agency was formerly managed by Whilden & Hancock, which firm on or about July 1, 1912, terminated its connection with the agency, the books of the company showing an uncollected balance of $48,590.94. On December 31, 1912, this account was balanced by cash, the check of James F. Stone & Company for $53,590.94 being used in part for such purpose. However, in order to make good such check when presented for collection the company's check for $48,590.94 was issued on January 2, 1913, to the order of James F. Stone & Company, and the said firm's account charged with such sum. The net result of the transaction was the temporary conversion of an agency balance of doubtful value and wholly unadmitted as an asset, to a valid asset masquerading as " Cash in bank."

The unpaid agency balances reported by the company December 31, 1912, amounted in total to $342,399.42. No analysis of the account has been attempted, but it is known to be incorrect in the total amount, as well as in the amount stated to be more than three months past due. The relatively large amount of such balances on March 1, 1913, in proportion to the net premium income indicates at least inefficient management, and certainly the account is such as to demand a particular examination to determine its value and bona fide character.

The company's net unpaid losses December 31, 1912, were reported as the sum of $90,624.23. An examination of the loss book and claim papers shows such return to have been understated by some $80,000. In part this was due to the fact that an arbitrary deduction from the estimates was made by order of the president.

The unearned premium liability on December 31, 1912, was reported as $550,810.63. This sum was approximately $100,000 less than the actual liability, and was so reported in the lesser amount, we are advised, by order of the president.

The reinsurance contracts entered into by the company in its two years' existence have had an important bearing upon its affairs and present condition. Particularly, is this true of the con-

tracts with the Monongahela Insurance Company, of Pittsburgh, Pa., and the American National Insurance Company, of Rock Island, Ill. The business of the Monongahela was procured through action of a special committee of the board of directors of the American Union, which reported in favor of the purchase of the assets, business and property of the Monongahela for the sum of $380,000, without commission of any amount, and the assumption of the liability. Notwithstanding the terms of the contract the books of the company indicate that a commission of 50 per cent of the unearned premium, amounting to $123,034.57, was paid out in addition to the $380,000, or an apparent total disbursement of some $500,000, irrespective of the unearned premium liability payable to policyholders of $246,069.14.

The original entries, checks, vouchers, etc., in connection with this matter have not been examined, and we are therefore unable to state whether or not the contract terms were violated, nor submit information as to what became of the $123,034.57 commission, nor the identity of the beneficiary.

It has been stated that included in the $380,000 purchase price was $180,000 stock of the American Union Fire Insurance Company held by a syndicate, which was purchased by the company and turned over to the Monongahela as part payment. This transaction is so involved and intricate that nothing but a most careful investigation will reveal the true facts, but from the character of the book entries it would seem well worth while in the interests of the stockholders and policyholders that such investigation be made.

The reinsurance of the American National Fire Insurance Company, of Rock Island, Ill., effected in August, 1911, resulted in the assumption of an unearned premium liability of approximately $177,000. We are advised that no return of any liability on this account was made by the company in its annual statement for the year 1911, and that until July, 1912, the business was not entered on the books, and then, only in the sum of $25,000. The consideration received for this reinsurance was a matter of considerable doubt, but, for the purposes of this report, it is sufficient to state that on February 18, 1913, the company received from Verner & Company check in the sum of $30,441.81 as a

final settlement and in full for any equity in assets held by Verner & Company obtained by them from the American National Fire Insurance Company in the interest of the American Union. It is quite likely that a connection exists between this transaction of February 18, 1913, and the two check transactions of December 31, 1912, and January 2, 1913, referred to above in this report, as representing "Advances," and "Return of advance."

GENERAL CONCLUSION

The company received its certificate of authority from the Pennsylvania Insurance Department on December 23, 1910. The organization records were not available for this examination, and the company's early history, therefore, was not gone into. The books, however, contain evidence of disbursements on account of capital stock transactions which would seem to warrant investigation. As an instance, the cash book shows under date of March 1, 1911, the following disbursement item: "James F. Stone, Reimbursement for discount on notes of stockholders, $700.46."

This item was charged to "incidental office expense."

The career of the company during its existence of a few years, and its present unenviable position, is the result of gross mismanagement on the part of the President, James F. Stone, and dereliction of duty on the part of the board of directors. Certainly, it is difficult to well understand how a directorate having the least understanding of its responsibilities could for so long a period of time fail to discover the condition of affairs and take the necessary action to preserve the corporation.

The company transacted business in over forty states, being represented probably by more than one thousand agents. The gross indebtedness to the insured by reason of losses and return premiums will aggregate upwards of $1,000,000. As offsetting this, to some extent, the company has a treaty contract of reinsurance with the Warsaw Insurance Company, the return premiums on which when collected, will be available to pay the company's obligations. There must be likewise considered as available in the settlement of outstanding indebtedness the collectible value of the agency balances, and the company's other assets as listed above.

This report must be considered as the result of an examination which did not pretend to enter minutely into the many and complex transactions of the company, but which it was considered would serve to bring to your attention without unnecessary delay a condition of affairs demanding prompt attention.

ARIZONA FIRE INSURANCE COMPANY

Phœnix, Arizona

Examination on condition as of June 30, 1912.
Report dated August 2, 1912.
Examiner: Richard A. Elmer.

The company was incorporated June 4, 1910, under the laws of the Territory of Arizona and commenced writing the business of fire insurance on September 15, 1910. Up to the date of this examination, the business written has been of comparatively small volume and confined to the states of Arizona and Washington.

The company having applied to the Superintendent of Insurance of the State of New York for a license to transact the business of fire insurance in said State, and having submitted its charter and necessary papers for approval, the purpose of this examination was to ascertain the financial and general condition of the company preliminary to your consideration of the said application.

Financial Condition

The income and disbursements from September 15, 1910, the date when the company commenced business, up to and including June 30, 1912, were found to have been as follows:

Amount of capital paid up in cash		$200,000 00
Income		
Gross premiums	$127,959 95	
Deduct gross amount paid for reinsurance — fire	$9,251 84	
Return premiums — fire	20,058 69	
	29,310 53	
Total premiums	$98,649 42	
Gross interest on mortgage loans	9,913 20	

Gross interest on bonds and dividends on stocks.	$1,916 05	
Paid in surplus from September 15, 1910, to June 30, 1912	128,209 50	
Total income		$238,688 17
Total		$438,688 17

Disbursements

Net amount paid policyholders for losses	$38,454 58	
Expenses of adjustment and settlement of losses	940 46	
Commissions or brokerage	21,360 01	
Salaries and expenses of special and general agents	3,985 82	
Salaries, fees and all other charges of officers, directors, trustees and home office employees	17,154 17	
Rents	1,158 25	
Advertising, printing and stationery	6,273 90	
Postage, telegrams, telephones and express	2,424 75	
Legal expenses	50 00	
Furniture and fixtures	2,613 04	
Maps, including corrections	2,675 85	
Underwriters' boards and tariff associations	193 06	
Taxes on real estate	669 40	
Incidental expenses	575 15	
Gross loss on sale or maturity of bonds	577 60	
Total disbursements		99,106 04
Balance (ledger assets June 30, 1912)		$339,582 13

The assets and liabilities on June 30, 1912, were as follows:

Ledger Assets

Mortgage loans on real estate	$158,975 00	
Book value of bonds and stocks	126,051 00	
Cash in company's office	176 48	
Deposits in banks	46,298 86	
Agents' balances subsequent to May 1, 1912	7,082 30	
Agents' balances prior to May 1, 1912	848 14	
Advances to agents	150 35	
Total ledger assets		$339,582 13

Non-Ledger Assets

Interest accrued on mortgages	$2,720 04	
Interest accrued on bonds	2,247 90	
Total		4,967 94
Gross assets		$344,550 07

Deduct Assets Not Admitted

Agents' balances prior to May 1, 1912	$848 14	
Book value of bonds over market value	1,001 00	
Advances to agents	150 35	
		$1,999 49
Total admitted assets		$342,550 58

Liabilities

Unpaid losses	$2,550 69	
Unearned premiums, one year	12,751 68	
Unearned premiums, term	21,364 01	
Accrued bills, etc	1,000 00	
Total liabilities except capital		37,666 38
Capital actually paid in in cash	$200,000 00	
Surplus	104,884 20	
Surplus as regards policyholders		304,884 20
Total liabilities		$342,550 58

ANALYSIS

The various items of income and disbursements present no features requiring explanation, with the exception of the amounts paid in on account of capital and surplus hereinafter referred to.

Mortgage Loans:

The papers in connection with the mortgage loans were examined and a schedule giving in detail all particulars in regard to each loan is filed with the papers of this examination. The loans in each case are passed on by the executive committee and appraisals are made by the company of the lands and buildings mortgages. An abstract of title accompanies the papers in each case. The appraisals show the loans to approximate 50 per cent of the value of the realty mortgaged, and though no appraisals were made by this Department, it is believed that the loans are sufficiently secured.

Bonds:

The bonds were examined and checked with the records of the company and a schedule of these securities, giving the book, par and market values, is attached to this report as Exhibit "A."

Cash in Bank:

The amounts deposited in bank were verified from the records of the company and reconciled with certificates obtained from the banking institutions.

Agents' Balances:

The amounts due the company on account of agents' balances were ascertained from the records of the company and the balances over three months due have been deducted as a not admitted asset.

Unpaid Losses:

The records and papers in connection with the unpaid losses were examined and the amount reported in the foregoing financial statement is believed to be ample to provide for this liability.

Premium Reserve:

The reserve records of the company are excellent and the premiums in force, as shown by these records, on June 30, 1912, were found to aggregate $68,014.78. The unearned portion calculated on a 50 per cent basis, produced the premium reserve liability of $34,115.69 carried in the foregoing financial statement.

Capital Stock and Surplus:

The charter of the company provides that the capital stock shall be $200,000, divided into 200,000 shares of a par value of $1 each, to be paid in cash within twelve months after the filing of the articles of incorporation. As shown in the foregoing statement, the capital stock has been fully paid in and $128,209,50 contributed on account of surplus. The capital stock is entirely owned by the Arizona Finance Company and a single certificate, representing the entire stock ownership, has been issued to the said company.

The Arizona Finance Company is incorporated under the laws of the State of Arizona and Article III, section 2, of its charter, states the object of the corporation to be as follows:

"To organize a fire insurance company to operate under the laws of the Territory of Arizona and to conduct same in manner provided by such laws."

Article II of the charter provides as follows:

"The capital stock of the company shall be $500,000, divided into 500,000 shares of the par value of $1 each, which shall be paid in at such times as the board of directors may designate in cash, notes, certificates of deposit or other valuable thing or right, and all shares of capital stock, when so issued shall thereupon and thereby become full paid and non-assessable, and the judgment of the board of directors as to the prices or terms upon which the capital stock be sold shall be conclusive."

The subscription agreement for purchase of stock of the Arizona Finance Company reads in part as follows:

"It is understood and agreed that all settlements made by me under the terms of this subscription shall be for the benefit of the Arizona Fire Insurance Company, to be organized by the Arizona Finance Company, and that the endorsement of some bank or trust company in the City of Phoenix shall appear on the back of the certificate issued to me, stating that a sum equal to not less than eighty (80%) per cent of this subscription shall have been so deposited."

The endorsement on the stock certificate referred to in the foregoing subscription agreement reads as follows:

"The undersigned does hereby certify that there has been deposited in this bank a sum equal to not less than 80% of the purchase price of the within certificate, which will be held for the benefit of the Arizona Fire Insurance Company, to be organized by the Arizona Finance Company and to be subject to investment only in securities and loans on first mortgages as provided by the laws of the Territory of Arizona governing the investment of fire insurance companies. .....Cashier."

As shown by the foregoing, the Arizona Finance Company is acting in the capacity of a holding and stock selling concern and of the amounts paid in on account of stock subscriptions the corporation, under the terms of the subscription agreement, cannot expend for organization expenses in excess of 20 per cent of the amounts so subscribed.

This corporation is under the supervision of the Corporation Commission of the State of Arizona, and the said commission has appointed W. H. Plunkett as a special examiner to examine and report on the operations and affairs of the Arizona Finance Company. A copy of the report submitted by the said W. H. Plunkett to the Corporation Commission is forwarded to you with this report on examination of the Arizona Fire Insurance Company.

The report shows that 368,783 shares of the capital stock of a par value of $1 each has been subscribed for at varying prices from $.50 to $2, that the premiums paid on account of this stock amounted to $93,399 and that the total amount so far subscribed aggregates $462,182. The disbursements on account of organization expenses are reported as $87,827.33. The principal ledger asset carried by the company is the account with the Arizona Fire Insurance Company, amounting to the sum of $328,209.50. This amount agrees with the records of the Arizona Fire Insurance Company and is shown in the foregoing schedule of income as paid in on account of capital and surplus.

In connection with this report, attention is called to the fact that of the total capital stock subscribed, 85,000 shares have been sold to officers and directors under par at 50 cents per share, as compared with a maximum of $2.

In explanation of this matter the secretary of the Arizona Finance Company under date of August 9, 1912, writes as follows:

"The first 85,000 shares were appropriated to officers and directors at 50 cents a share on the condition that their services to both the Holding Company and the Arizona Fire Insurance Company be given gratis for three years. No remuneration has been paid them, not even transportation cost to attend meetings.

At the meeting in March of this year said Directors voluntarily subscribed 25,000 shares of stock at $2 per share, without discount or commission, and cash was paid in within sixty days after."

And his letter concludes with the statement that,—

"The Corporation Commission advises me to-day that it will issue a license to this company to sell its unsold stock, the authority being invested in that Commission by an act of the Legislature passed this year."

OFFICERS AND DIRECTORS

The home office of the company is located at Phoenix, Arizona, and the officers and directors on June 30, 1912, were as follows:

Officers

President	Geo. M. Halm
1st Vice President	Epes Randolph
2nd Vice President	Jno. G. Spangler
Treasurer	Lloyd B. Christy
Secretary and Manager	W. Bennet Gough

Directors

Lloyd B. Christy	T. G. Norris
David Babbitt	Geo. A. Olney
W. Bennet Gough	E. B. O'Neil
Geo. M. Halm	A. J. Pickerel
Jno. R. Hampton	Epes Randolph
Geo. A. Mintz	J. G. Spangler
Louis Melczer	F. A. Sawyer
Albert Steinfeld	

Conclusion

As previously stated in this report, the purpose of the examination was to ascertain the financial and general condition of the company preliminary to your consideration of the application of the said company to transact the business of fire insurance in the State of New York.

As shown in the foregoing report, the company has a paid in cash capital of $200,000, invested in bonds and mortgages which are acceptable as capital investments under the provisions of the Insurance Law of the State of New York. The admitted assets on June 30, 1912, aggregated $342,550.58 and the surplus as regards policyholders amounted to the sum of $304,884.20.

While the company is incorporated under the laws of the state of Arizona and, as a stock corporation, is governed by the rules and regulations of the Corporation Commission of said state, it is not under the jurisdiction of a commission or department of insurance. I am advised, however, that during the coming session of the state legislature, a special code of insurance laws is to be introduced which will provide for state supervision of the customary character.

ASSURANCE COMPANY OF AMERICA

New York, N. Y.

Examination on condition as of March 31, 1912.
Report dated June 19, 1912.
Examiner: Charles H. Gardner.

Ledger Assets

Book value of bonds	$415,742 47
Deposits in banks and trust companies not on interest	27,594 63
Deposits in banks and trust companies on interest	40,000 00

Agent's balances representing business written subsequent to January 1, 1912		$30,021 16
Agents' balances representing business written prior to January 1, 1912		1,185 63
Total ledger assets		$514,543 89
Non-Ledger Assets		
Interest accrued on bonds	$5,484 01	
Interest accrued on bank deposits	275 00	
Reinsurance due on paid losses	445 31	
		6,204 32
Gross assets		$520,748 21
Deduct Assets Not Admitted		
Agents' balances representing business written prior to January 1, 1912	$1,185 63	
Book value of bonds over market value	56,342 47	
		57,528 10
Total admitted assets		$463,220 11
Liabilities		
Unpaid losses		$26,531 50
Unearned premiums on one year risks	$75,169 00	
Unearned premiums on term risks	14,522 00	
Total unearned premiums		89,691 00
Contingent commissions due		2,069 39
Reinsurance premiums due		3,771 22
State taxes estimated		1,000 00
Suspense items		114 64
Total amount of all liabilities except capital		$123,177 75
Capital	$200,000 00	
Surplus over all liabilities	140,042 36	
Surplus to policyholders		340,042 36
Total liabilities		$463,220 11

All items of assets and liabilities as set forth in the foregoing financial statement have been compiled from the company's books. The examination shows that on March 31, 1912, the company had a surplus amounting to $140,042.36 in addition to its capital of $200,000.

The company was incorporated February 25, 1897, with a capital stock of $200,000, divided into 2,000 shares of $100 each. In December, 1903, the capital stock of the company was increased to $400,000 divided into 4,000 shares of $100 each. As a result of the San Francisco conflagration of 1906 the company found it necessary to reduce its capital stock to $200,000, the then existing stockholders receiving one-half share of the new issue in exchange for every share of the stock in their possession. The issue of 1903 consisting of 4,000 shares has been returned and cancelled with the exception of 50 shares still outstanding. From an examination of the stock ledger and certificate books it was found that but 1,975 shares of the new issue of 1906 had been exchanged for the stock of the issue of 1903 leaving 25 shares withheld by the company until the above mentioned 50 shares of 1903 issue have been returned and cancelled.

CALEDONIAN-AMERICAN INSURANCE COMPANY

New York, N. Y.

Examination on condition as of March 31, 1913.
Report dated May 15, 1913.
Examiner: Isaac Fuld.
Assistant Examiner: John J. Cunningham.

Ledger Assets

Book value of bonds and stocks	$240,698 99
Cash in office	62 97
Cash in banks	10,040 96
Agents' balances representing business written subsequent to December 31, 1912	24,893 81
Agents' balances representing business written prior to January 1, 1913	2,266 57
Deposit with Philadelphia Underwriters	200 00
Reinsurance due on paid losses	1,020 66
Total ledger assets	$279,183 96

Non-Ledger Assets

Interest accrued on bonds	3,224 70
Gross assets	$282,408 66

Deduct Assets Not Admitted

Agents' balances representing business written prior to January 1, 1913	$2,266 57	
Book value of bonds and stocks over market value	16,040 99	
		$18,307 56
Total admitted assets		$264,101 10

Liabilities

Unpaid fire losses		$2,191 76
Unearned premiums on one year risks	$5,875 94	
On term risks	8,417 49	
Total unearned premiums		14,293 43
Taxes due and accrued on premiums (estimated)		200 00
Reinsurance premiums		13,361 07
Sundry unpaid bills		188 71
Total liabilities except capital		$30,234 97
Capital	$200,000 00	
Surplus	33,866 13	
Surplus to policyholders		233,866 13
Total liabilities		$264,101 10

EMPIRE CITY FIRE INSURANCE COMPANY

NEW YORK, N. Y.

WILLIAMSBURGH CITY FIRE INSURANCE COMPANY

NEW YORK, N. Y.

Examination to determine condition upon merger of the companies under name of The Williamsburgh City Fire Insurance Company.

Report dated December 21, 1912.

Examiner: Seth C. McArthur.

Appraisal of real estate securing bond and mortgage loans.

Report dated December 16, 1912.

Appraiser: Eugene L. Paradi.

Whereas, The undersigned, a disinterested person, specially appointed for the purpose by the Superintendent of Insurance,

having in pursuance of such appointments hereto annexed, made an examination under date of July 31, 1912, of the Williamsburgh City Fire Insurance Company of Brooklyn, and the Empire City Fire Insurance Company of New York, both being domestic fire insurance companies, organized under the Laws of the State of New York, and now taking proceedings to merge as one corporation under the title of The Williamsburgh City Fire Insurance Company. Said company when merger is completed is to assume by transfer all the assets, and to succeed to all the liabilities and obligations of the said two existing corporations.

Now, therefore, I do hereby certify and report under oath that said examination shows said companies on said date to be in possession of total admitted assets amounting to the sum of three million, seven hundred seven thousand, one hundred sixty-one and ninety-four-hundredths ($3,707,161.94) dollars, and to have liabilities, except capital, amounting to two million, five hundred seventy-eight thousand seven dollars and twenty-hundredths ($2,578,007.20) dollars, as particularly set forth in schedule "A," hereto annexed, and as further evidenced by the annexed certificate executed by the officers of the two corporations to be merged. As further evidencing such financial condition, there are also attached to this report, marked Schedules "B" and "C," respectively, separate statements of the assets and liabilities of each corporation on date of July 31, 1912.

The combined capital of the two existing corporations is $650,000. By the terms of the merger agreement and the proposed new charter, it is provided that the capital of the new corporation "shall be $600,000, divided into 6,000 shares of $100 each."

I further hereby report in connection with examination on merger of said companies the following:

Williamsburgh City Fire Insurance Company

Assets — Real Estate

The real estate owned consists of a five story brick office building situated at the corner of Kent avenue and Broadway, Williamsburgh, and a brick building at No. 156 Montague street, both in the Borough of Brooklyn.

The value fixed by departmental appraisal in 1908 was as

follows: Broadway and Kent avenue, $40,000; Montague street, $50,000.

The company has recently charged to profit and loss $15,000, reducing the book value for the Kent avenue property to $25,000, and that figure has been carried in this financial statement. The value for the Montague street property is carried at its department appraisal value, viz.: $50,000.

On May 13, 1912, the Superintendent of Insurance Department issued a certificate granting extension of sale of the Kent avenue property for five years from date. Said property is unoccupied.

Loan on Bond and Mortgage

On December 23, 1911, this company took over by assignment from the Title Guarantee and Trust Company of New York a loan made by said company on property located at Jamaica, Long Island, in the sum of $55,000. The principal sum loaned becomes due in 1914. A policy of the Bond and Mortgage Guarantee Company of New York is in the possession of the company, which guarantees the payment of both principal and interest.

A department appraisal of the real estate securing said loan has been made and the land has been valued at $135,000, which is largely in excess of the statutory requirement.

Liabilities — Unearned Premium Fund

The company at the date of this examination computed its unearned premium liability, using the fractions permitted by the Department blanks furnished for annual statements, and in consequence charged for that liability the sum of $2,294,696.67. The examination disclosed that a closer approximation could be obtained by using different fractions, with the result that about $38,000 has been added to the company's figures. It is fair to say that said increase would be partly offset had the company taken credit for certain items allowed by changes in the laws relating to reinsurance (section 22) and for cancellation occasioned by partial loss. Said credits would probably amount to several thousand dollars, but under present circumstances it is not deemed advisable to take the time which would be required to arrive at the correct figure.

Reinsurance Treaty

Under date of July 22, 1912, the company entered into an agreement (renewal) with the Insurance Company Salamandra of Russia, providing for a reinsurance of a certain proportion of business written in the Eastern and Western Departments. No accurate computation of the amount of business reinsured on July 31, 1912, has been undertaken, but listed in the statement of December 31, 1911, approximately $250,000 represents the sum in force on said date.

Securities

The securities owned were examined and counted and found to be as shown in the schedules attached, except in cases where deposits had been made with state departments, in which event certificates of deposit were furnished, and the stock of the First National Bank of Brooklyn, New York, which had been sold on October 14, 1912.

General Agency Contract

The operations of the company are conducted by the general agency of Crum & Forster, Incorporated, under an agreement dated July 2, 1912. By the terms of said agreement said agency extends over and covers all parts of the United States and elsewhere, except the territory known as the "Western Union Field" and the business ceded under an agreement of reinsurance made with the Empire City Fire Insurance Company, dated July 1, 1912.

The compensation or commission is based on the net business transacted.

The contract is made for a period of one year from the first day of July, 1912, unless cancelled by the mutual consent of the parties interested and is subject to the revision of the compensation or commission upon mutual agreement from the first day of any succeeding month.

Western Department

The company maintains a branch office at Freeport, Illinois. F. M. Gund is the general manager and has jurisdiction over the following states: Illinois (Chicago not included), Indiana, Iowa,

Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, South Dakota, Wisconsin.

Said states are embraced in what is known as the "Western Union Field."

At the date of this examination, the Western Department had on hand notes taken in payment for premiums on policies issued on farm property, amounting to $34,819.54.

In the absence of any legal provision suited to the needs of this class of business, and finding an "unearned premium" liability was carried, and also finding the form of note contained a clause to the effect that if the note is not paid at maturity the policy shall be suspended and the company shall not be liable for any loss or damage that may occur to the property insured, and the whole amount of premium on the policy shall be considered as earned, a credit has been allowed in the financial statement covering said items, amounting to $31,193.99, the amount carried in the "unearned premium fund."

Special Reserve and Guaranty Surplus Funds

The Williamsburgh City Fire Insurance Company is operating under the provisions of sections 130, 131 and 132 (a so-called safety fund law). On February 12, 1875, by resolution of the board of directors, a special reserve fund of $125,000 and a guaranty surplus fund of an equal amount were created under the provisions of the Laws of 1874, chapter 189. On October 1, 1887, these funds were increased to $280,000 each.

At the date of this examination, the company had on deposit with the Superintendent of Insurance at Albany, corporate stock of the city of New York in the sum of one hundred fifty-seven thousand, five hundred ($157,500) dollars, *par value,* and bonds and mortgages representing loans on real estate amounting to one hundred twenty-four thousand, five hundred ($124,500) dollars, making a total of two hundred eighty-two thousand ($282,000) dollars. The market value of the New York city securities since the deposit was made has depreciated $16,715.

As a result of this examination, it is shown that the guaranty surplus fund is depleted.

The following is quoted from an attorney-general's opinion under date of December 3, 1908:

"The statute does not contemplate the maintenance of the so-called guaranty surplus fund at a parity with the special reserve fund, but the provisions of section 132 indicate that the legislature expressly contemplated that the guaranty surplus fund might fall below the special reserve fund."

Empire City Fire Insurance Company

Unearned Premium Fund:

On June 30, 1912, the company reported a liability of $469,-090.90 to provide for unearned premiums. On July 31, 1912, it will be observed no charge is made under this heading, which is explained by the fact that on date of July 1, 1912, all liability was assumed by the Williamsburgh City Fire Insurance Company under an agreement of reinsurance, and a charge for said liability is included in the unearned premium fund of the latter company.

Reinsurance Agreement

Under date of July 1, 1912, the Empire City Fire Insurance Company entered into a "Reinsurance Agreement" with the Williamsburgh City Fire Insurance Company ceding to it all business in force at that date and all business written subsequently, while the proposed merger is pending.

The sum paid for said reinsurance amounted to $493,487.30, less a commission of 45 per cent allowed by the "Williamsburgh City," amounting to $222,069.28. The first named sum was added to the unearned premiums carried by the "Williamsburgh City," in the manner provided for in section 22.

Schedule "A"

Containing a list (as of July 31, 1912) of the combined assets and liabilities of the Williamsburgh City Fire Insurance Company of Brooklyn and the Empire City Fire Insurance Company of New York, to be transferred by merger to the proposed

The Williamsburgh City Fire Insurance Company

Ledger Assets

	Par value	Market value
Bonds:		
Corp. Stock, City of New York	$157,500 00	$140,785 00
Deposited with Insurance Department, Albany, N. Y.		
State of Georgia, Reg. 4½%, 1915	10,000 00	10,100 00
Atlanta, Ga., Water, Reg. 4½%, 1926	10,000 00	10,300 00
The above deposited with Treasurer of State of Georgia.		
Richmond, Va., Reg. 4%, 1920	12,500 00	12,250 00
Richmond, Va., Reg. 4%, 1924	1,000 00	980 00
The above deposited with Treasurer, Commonwealth of Virginia.		
Corp. Stock, City of New York, 4½%, 1957	500 00	530 00
New Mexico, Agricultural College, 5%, 1931	10,000 00	10,400 00
Chesapeake & Ohio R. R. Co., Convert. 4½%, 1930	20,000 00	18,600 00
Northern Pacific Great Northern Joint C. B. & Q. Collateral 4%, 1921	50,000 00	48,000 00
Erie R. R. Co. (Pennsylvania Collateral) 4%, 1951	10,000 00	9,000 00
Atlantic Coast Line R. R. Co., Con. Reg., 4%, 1939	10,000 00	10,400 00
N. Y., N. H. & H. R. R. Co., Con. Deben., 6%, 1948	75,000 00	96,000 00
New York, N. H. & H. R. R. Co., Cert., 3½%, 1956	10,000 00	9,100 00
Southern Pacific Co., Convertible, 4%, 1929	10,000 00	9,500 00
Interborough Metropolitan Co., 4½%, 1956	200,000 00	164,000 00
Manhattan Ry. Co., Consol. Mort. Gold, 4%, 1990	40,000 00	38,400 00
N. Y. C. Park, 111th St. & E. R. Reg., 3½%, 1940	50,000 00	44,000 00
Brooklyn Union Gas Co., 1st mortg., 5%, 1945	9,000 00	9,540 00
Kings County E. L. & P. Co., Con. Deb., 6%, 1922	100,000 00	127,000 00
N. Y. Gas, Elec. Light, H. & P. Co., 4%, 1949	50,000 00	44,500 00
Corn Products Ref. Co., 1st mortg., 5%, 1934	50,000 00	48,000 00
Mortgage Bond Company of New York, 4%, 1966	25,000 00	21,750 00
N. Y. Air Brake Co., 1st mortg con., 6%, 1928	12,000 00	12,000 00
New York Tel. Co., 1st mortg., 4½%, 1939	50,000 00	50,000 00
Stocks:		
100 Atchison, Top. & Santa Fe R. R. Co. (Pfd.)	10,000 00	10,200 00
114 Delaware, Lackawanna & Western R. R. Co.	5,700 00	30,267 00
20 Lackawanna R. R. Co. of New Jersey	2,000 00	1,920 00
500 New York, New Haven & Hartford R. R. Co.	50,000 00	67,500 00
1,000 Norfolk & Western Ry. Co. (common)	100,000 00	118,000 00
500 Northern Pacific Railway Co	50,000 00	62,500 00
500 Southern Pacific Company (common)	50,000 00	55,500 00
500 Union Pacific R. R. Co. (common)	50,000 00	84,500 00
1,000 Union Pacific R. R. Co. (preferred)	100,000 00	90,000 00
95 Christopher & 10th St. R. R. Co	9,500 00	12,445 00
25 First National Bank of New York	2,500 00	25,200 00
*220 First National Bank of Brooklyn	22,000 00	61,600 00
75 Hanover National Bank, New York	7,500 00	52,500 00
50 National Bank of Commerce in New York	5,000 00	9,850 00
100 National Park Bank of New York	10,000 00	37,100 00

* Sold.

Stocks:	Par value	Market value
200 Peoples National Bank of Hackensack, N. J.	$20,000 00	$45,000 00
115 Kings County Trust Co., Brooklyn	11,500 00	59,915 00
180 Williamsburgh Trust Co	18,000 00	5,400 00
625 American Telephone & Telegraph Co	62,500 00	91,250 00
100 Pacific Telephone & Telegraph Co. (pref.)	10,000 00	10,000 00
600 Brooklyn Union Gas Company	60,000 00	88,200 00
1,000 Consolidated Gas Co. of New York	100,000 00	144,000 00
200 Washington Water P. Co. of Spokane, Wash.	20,000 00	26,600 00
500 The Mackay Companies (preferred)	50,000 00	35,000 00
500 Pressed Steel Car Co. (common)	50,000 00	18,000 00
250 William Street Offices (a corporation)	25,000 00	25,000 00
50 Sanborn Map Company	5,000 00	15,000 00
5 Underwriters Salvage Co., New York	500 00	625 00
Total par and market values	$1,879,200 00	$2,228,207 00
Real estate, book value		75,000 00
Collateral loan		5,000 00
Loans on bond and mortgage		538,400 00
Deposited in trust companies and banks and cash in office		388,762 31
Deposited in Peoples National Bank, Hackensack, N. J., in the name of Crum & Forster, Inc., Agents of the United States Underwriters		5,000 00
Agents' balances		389,941 86
Bills receivable, taken for fire risks on farm properties		34,819 54
Reinsurance premiums due from Empire City Fire Insurance Company to Williamsburgh City Fire Insurance Company of Brooklyn		36,426 49
Total		$3,701,557 20
Non-Ledger Assets		
Interest accrued		17,857 29
Reinsurance recoverable due on paid losses		9,844 02
Gross assets		$3,729,258 51
Deduct Assets Not Admitted		
Agents' balances representing business written prior to May 1, 1912	$18,471 02	
Face value of bills receivable over amount charged as unearned premiums on policies covered by notes	3,625 55	
		22,096 57
Total admitted assets		$3,707,161 94
Liabilities		
Net unpaid losses and claims	$179,518 82	
Unearned premiums	2,332,809 36	

Estimated amount hereafter payable for state and other taxes and bills and accounts due and accrued	$20,887 74	
Reinsurance premiums due Williamsburgh City Fire Insurance Company, Brooklyn, from Empire City Fire Insurance Co	36,426 49	
Commissions due on certain notes taken for fire premiums	407 70	
Commissions due agents under contingent commission contracts	3,076 27	
Reinsurance premiums due	4,880 82	
Liabilities, except capital		$2,578,007 20
Capital	$650,000 00	
Surplus	*479,154 74	
Surplus to policyholders		1,129,154 74
Total liabilities		$3,707,161 94

SCHEDULE "B"

Williamsburgh City Fire Insurance Company

Ledger Assets

Bonds:	Par value	Market value
Corp. Stock, City of New York	$157,500 00	$140,785 00
The above deposited with Insurance Department, Albany, N. Y.		
State of Georgia, Registered	10,000 00	10,100 00
The above deposited with Treasurer of State of Georgia.		
Richmond, Va., Registered	12,500 00	12,250 00
Richmond, Va., Registered	1,000 00	980 00
The above deposited with Treasurer of Commonwealth of Virginia.		
Corporate stock of City of New York	500 00	530 00
Territory of New Mexico, Agricultural College	10,000 00	10,400 00
Chesapeake & Ohio R. R. Co., convertible	20,000 00	18,600 00
Northern Pac., Great No. Joint C. B. & Q., collat.	50,000 00	48,000 00
Erie R. R. Co., Pennsylvania collateral	10,000 00	9,000 00
New York, New Haven & H. R. R. Co., con. deben.	75,000 00	96,000 00
New York, New Haven & H. R. R. Co., certif.	10,000 00	9,100 00
Southern Pacific Company, convertible	10,000 00	9,500 00
Interborough Metropolitan Company	200,000 00	164,000 00
Manhattan Ry. Co., consolidated mortg. gold	40,000 00	38,400 00
Brooklyn Union Gas Co., 1st mortgage	9,000 00	9,540 00
Kings Co. Elec. L. & P. Co., convertible deben.	100,000 00	127,000 00
New York Gas, Elec. Light, Heat & Power Co.	50,000 00	44,500 00
Corn Products Refining Co., 1st mortgage	50,000 00	48,000 00
Mortgage Bond Company of New York	25,000 00	21,750 00
New York Air Brake Co., 1st mortg. convert.	12,000 00	12,000 00
New York Telephone Co., 1st mortgage	50,000 00	50,000 00

* This item includes a special reserve fund and a guaranty surplus fund.

Stocks:		Par value	Market value
100	Atchison, Top. & Santa Fe R. R. Co. (pref.)	$10,000 00	$10,200 00
114	Delaware, Lackawanna & West. R. R. Co..	5,700 00	30,267 00
20	Lackawanna R. R. Co. of New Jersey.....	2,000 00	1,920 00
500	New York, New Haven & Hart. R. R. Co.	50,000 00	67,500 00
1,000	Norfolk & Western Ry. Co. (common)....	100,000 00	118,000 00
500	Northern Pacific Railway Co.....	50,000 00	62,500 00
500	Southern Pacific Company (common).....	50,000 00	55,500 00
500	Union Pacific R. R. Co. (common).....	50,000 00	84,500 00
1,000	Union Pacific R. R. Co. (preferred).....	100,000 00	90,000 00
.95	Christopher and 10th St. R. R. Co.....	9,500 00	12,445 00
25	First National Bank of New York.....	2,500 00	25,200 00
* 220	First National Bank of Brooklyn.....	22,000 00	61,600 00
75	Hanover National Bank, New York.....	7,500 00	52,500 00
50	National Bank of Commerce in New York.	5,000 00	9,850 00
100	National Park Bank of New York.....	10,000 00	37,100 00
200	Peoples National Bank of Hackensack, N. J.	20,000 00	45,000 00
115	Kings County Trust Company, Brooklyn..	11,500 00	59,915 00
180	Williamsburgh Trust Company.....	18,000 00	5,400 00
600	American Telephone & Telegraph Co.....	60,000 00	87,600 00
100	Pacific Telephone & Telegraph Co.....	10,000 00	10,000 00
600	Brooklyn Union Gas Company.....	60,000 00	88,200 00
1,000	Consolidated Gas Co. of New York.....	100,000 00	144,000 00
200	Washington Water P. Co. of Spokane, Wash.	20,000 00	26,600 00
500	The Mackay Companies (preferred).....	50,000 00	35,000 00
500	Pressed Steel Car Co. (common).....	50,000 00	18,000 00
250	William Street Offices (a corporation)....	25,000 00	25,000 00
	Total par and market values.....	$1,801,200 00	$2,144,232 00
	Real estate, book value.....		75,000 00
	Loans on bond and mortgage.....		288,900 00
	Deposited in trust companies and banks and cash in office....		235,336 50
	Agents' balances		294,809 78
	Bills receivable taken for fire risks on farm properties.....		34,819 54
	Reinsurance premiums due from Empire City Fire Insurance Co.		36,426 49
	Total		$3,109,524 31
	Non-Ledger Assets		
	Interest accrued		15,004 74
	Reinsurance recoverable due on paid losses.....		4,926 44
	Gross assets		$3,129,455 49
	Deduct Assets Not Admitted		
	Agents' balances representing business written prior to May 1, 1912.....	$18,471 02	

* This stock was sold on October 14, 1912, as shown on company's cash book on that date.

Face value of bills receivable over amount charged as unearned premiums on policies covered by notes	$3,625 55	
		$22,096 57
Total admitted assets		$3,107,358 92

Liabilities

Net unpaid losses and claims	$136,103 71	
Unearned premiums	2,332,809 36	
Estimated amount hereafter payable for state and other taxes and bills and accounts due and accrued	15,887 74	
Commissions due on certain notes taken for fire premiums	407 70	
Commissions due agents under contingent commission contracts	3,076 27	
Reinsurance premiums due	4,880 82	
Liabilities, except capital		$2,493,165 60
Capital	$250,000 00	
Surplus	*364,193 32	
Surplus to policyholders	614,193 32	
Total liabilities		$3,107,358 92

SCHEDULE "C"

Empire City Fire Insurance Company

Ledger Assets

	Par value	Market value
Bonds:		
N. Y. C. Park, 111th St. and East River	$50,000 00	$44,000 00
† City of Atlanta, Ga., water	10,000 00	10,300 00
Atlantic Coast Line R. R. Co., convertible	10,000 00	10,400 00
Stocks:		
50 Sanborn Map Company	5,000 00	15,000 00
25 American Telephone & Telegraph Co	2,500 00	3,650 00
5 Underwriters Salvage Company, N. Y.	500 00	625 00
Total par and market values	$78,000 00	$83,975 00
Collateral loan		5,000 00
Loans on bond and mortgage		249,500 00
Deposited in trust companies and banks and cash in office		153,425 81

* This item includes a special reserve fund of $280,000 and a guaranty surplus fund of $84,193.32.

† Deposited with the Treasurer of the State of Georgia.

Deposited in Peoples National Bank, Hackensack, N. J., in the name of Crum & Forster, Inc., agents of the United States Underwriters		$5,000 00
Agents' balances representing business written subsequent to April 30, 1912		95,132 08
Total		$592,032 89
Non-Ledger Assets		
Interest accrued		2,852 55
Reinsurance due on paid losses		4,917 58
Gross assets (Total admitted assets)		$599,803 02
Liabilities		
Net unpaid losses and claims		$43,415 11
Taxes, bills and accounts due or accrued		5,000 00
Reinsurance premiums due Williamsburgh City Fire Insurance Company, Brooklyn, N. Y.		36,426 49
Liabilities, except capital		$84,841 60
Capital	$400,000 00	
Surplus	114,961 42	
Surplus to policyholders		514,961 42
Total liabilities		$599,803 02

FIDELITY-PHENIX FIRE INSURANCE COMPANY OF NEW YORK

NEW YORK, N. Y.

Examination on condition as of June 30, 1912.

Report dated January 10, 1913.

Examiner: Isaac Fuld.

Assistant Examiners: McArthur, Banta, Bacharach, Billingham, Cunningham, Finklestone.

Ledger Assets	
Book value of real estate	$592,500 00
Mortgage loans on real estate, 1st liens	29,500 00
Book value of bonds and stocks	10,309,157 00
Cash in office and in banks and trust companies	2,484,630 52
Agents' balances representing business written subsequent to March 31, 1912	860,491 16

Agents' balances representing business written prior to April 1, 1912		$28,499 72
Bills receivable taken for premiums on farm risks		449,216 99
Bills receivable taken for purchase money on contract of sale of real estate		11,250 00
Due from Citizens Insurance Company		11,896 88
Total ledger assets		$14,777,132 27
Non-Ledger Assets		
Interest accrued		26,422 97
Rent accrued		48 00
Due for reinsurance on paid losses		9,002 69
Equity in H. C. Stockdell claim		34,995 00
Mortgage loan (subrogation claim)		1,200 00
Market value of bonds — stocks over book value		69,237 00
Gross assets		$14,918,037 93
Deduct Assets Not Admitted		
Agents' balances representing business written prior to April 1, 1912	$28,499 72	
Bills receivable past due, taken for premiums on farm risks	40,515 73	
Due from Citizens Insurance Company	11,896 88	
Excess of farm notes credited over unearned premium liability charged thereon	44,557 76	
Book value of real estate over market value	17,500 00	
		142,970 09
Total admitted assets		$14,775,067 84
Liabilities		
Unpaid losses		$482,026 19
Unearned premiums		6,740,372 46
Sundry unpaid bills		31,273 25
Brokerage and contingent commissions		8,267 70
Return premiums (estimated)		1,000 00
Reinsurance premiums		32,430 25
Taxes accrued (estimated)		62,000 00
Claim of Wm. J. Logan		198,798 92
Total liabilities except capital		$7,556,168 77
Capital	$2,500,000 00	
Surplus	4,718,899 07	
Surplus to policyholders		7,218,899 07
Total liabilities		$14,775,067 84

Financial Statement

The financial statement appearing above shows a surplus to the company above its capital stock in the sum of $4,718,899.07. Such statement is the result of a careful examination of each item of assets and liabilities, necessitating not only an investigation at the New York offices, but also at the office of the western department in Chicago, Ill.

Equity in Stockdell Claim

As shown in the report on examination of the Phenix Insurance Company of Brooklyn, dated May 24, 1910, H. C. Stockdell, its former general agent at Atlanta, Ga., was indebted to said company in the sum of $54,377.68, and the following securities were transferred to the company as collateral:

50 shares Battle Creek Coal & Coke Co. stock.
$5,000 Battle Creek Coal & Coke Co. bonds.
Conveyance to real estate located at 442 Peachtree Street, Atlanta, Ga.
Conveyance to real estate located corner of Haynes and Foundry Streets, Atlanta, Ga.
Six policies of insurance on the life of H. C. Stockdell issued by various life insurance companies in the total sum of $40,000.

The following statement shows the condition of this claim on June 30, 1912:

Debits

Amount of original claim	$54,377 68
Taxes and expenses on real estate	1,331 07
Premiums paid on life insurance policies	6,171 70
Interest to June 30, 1912	5,255 93
Total debits	$67,136 38

Credits

Real estate sold	$22,393 80	
Battle Creek Coal & Coke Co. 6% bond sold par value $1,000	970 00	
Interest and dividends received	1,056 18	
Total credits		24,409 98
Balance due company		$42,726 40

As collateral for this balance the company is in possession of the following securities:

50 shares Battle Creek Coal & Coke Co. stock.
$4,000 Battle Creek Coal Co., 6% bonds, and the above-mentioned six life insurance policies.

Mr. H. C. Stockdell died in September, 1912, and a tentative agreement has been reached between the company and a representative of the Stockdell estate whereby the company is to receive the proceeds of the said six life insurance policies and upon the receipt thereof the company is to return to the Stockdell estate the fifty shares Battle Creek Coal & Coke Company stock and the $4,000 Battle Creek Coal & Coke Company 6 per cent bonds.

The following is a statement of the present equity in said claim:

Value of six life insurance policies	$40,625 00
Less market value Battle Creek Coal & Coke Co. bonds and stocks to be returned and included in the total market value of bonds and stocks owned	5,630 00
Balance	$34,995 00

For the purpose of this examination this balance has been credited in the aforementioned financial statement as the remaining equity in the Stockdell claim.

Claim of Wm. J. Logan

The liability item "Claim of Wm. J. Logan $198,798.92" is the result of a suit brought against the Fidelity-Phenix Fire Insurance Company as successor to the Phenix Insurance Company of Brooklyn by Wm. J. Logan, a director of the latter company, for the recovery of the value of 1,400 shares American Sugar Refining Company common stock. On June 17, 1912, a verdict was rendered against the company in the Supreme Court, Borough of Brooklyn, for $198,375, representing the value of the stock in question plus interest to date the verdict was rendered. To this amount has been added $423.92 interest from June 17, 1912, to June 30, 1912, and the total, amounting to $198,798.92, has been

charged as a liability in the foregoing financial statement. An appeal from this verdict is now pending.

All other items of assets and liabilities have been carefully verified and computed.

Organization and History of Company

The Fidelity-Phenix Fire Insurance Company of New York, a stock fire and marine insurance corporation, was organized March 1, 1910, by a merger of the Fidelity Fire Insurance Company of New York and the Phenix Insurance Company of Brooklyn, N. Y., with a capital of $2,500,000, divided into 25,000 shares of stock of a par value of $100 each. The charter, which expires on June 11, 1936, provides for the making of insurance against loss by fire, lightning, windstorms, tornadoes or earthquakes, and also against loss or damage by water arising from the breakage, leakage of sprinklers or accidental injury to such sprinklers, pumps or other apparatus, as well as upon inland and ocean marine risks, including insurance upon automobiles. It further provides for a board of directors consisting of fifteen members, a majority of whom shall be citizens of this State and each of them shall be the owner in his own right of at least $1,000 of the stock at its par value.

In March, 1910, the company and the Continental Insurance Company of New York entered into a contract under which both companies issue joint policies of insurance under the title of the "Fidelity Underwriters." This form of policy contract was submitted to and had the approval of the Department.

The company transacts business in practically every State and Territory in the United States and in the Dominion of Canada, with a net annual premium income of upwards of $6,000,000. Its field of operations is divided into the eastern department under the direct supervision of the president and other executive officers and the western department under the supervision of Secretary C. R. Street.

Special Deposits

Included in the list of securities owned as set forth in Exhibit A, the company has on deposit with the general fiscal officer of the

States and country named below the following securities for the benefit and protection of its policyholders residing therein:

Description	Par value	Market value
Georgia, reg., 3½%, 1917	$10,000 00	$9,000 00
Dist. of Columbia, reg., 3.65%, 1924	20,000 00	21,000 00
New Mexico, genl., 4%, 1939	10,000 00	10,100 00
Virginia, reg., 3%, 1991	57,000 00	48,400 00
Dist. of Columbia, reg., 3.65%, 1924	155,000 00	164,300 00
Toronto, Can., 3%, 1913	50,000 00	49,500 00
Toronto, Can., 3½%, 1929	55,967 00	50,930 97
Toronto, Can., 3½%, 1944	24,333 00	22,143 00

Satisfactory documentary evidence was obtained covering the above mentioned deposits.

State Tax on Premiums

The records of the company show that it pays to the State Comptroller, as a franchise tax, under the provisions of section 187 of the Tax Law, 1 per cent upon its premium income in this State, i. e., gross premiums less return premiums.

Dividends to Stockholders

Beginning with January, 1911, to date of this examination a semi-annual dividend to stockholders of 5 per cent was declared and paid.

Reinsurance Contracts

The company has contracts of reinsurance in force with the following authorized companies:

Jaker Insurance Company of Moscow, Russia.
First Bulgarian Insurance Company of Rustchuck, Bulgaria.
Warsaw Fire Insurance Company of Warsaw, Russia.
Imperial Fire Insurance Company of Denver, Col.

These contracts went into effect on February 11, 1910, June 9, 1910, November 1, 1911, and April 16, 1912, respectively.

The company also has reinsurance contracts in force with the Bernese Reinsurance Company of Berne, Switzerland, and the German Reinsurance Company of Dusseldorf, Germany. These are two foreign insurance corporations not authorized to transact the business of fire insurance in this State. Both of these con-

tracts went into effect on October 30, 1911, and appear to have been executed in New York City and are signed for said companies by Douglas Bros., attorneys, R. H. Folsom, managing director.

All the above mentioned contracts provide for a commission in payment of all expenses including taxes, except expenses incurred in settlement of losses.

Settlement of Phenix Insurance Company Transactions

Final disposition of various matters of which specific mention was made in the previously referred to report on examination of the Phenix Insurance Company is herewith noted.

Carnegie Trust Company:

On date of the merger the Fidelity-Phenix Fire Insurance Company had on deposit in said banking institution $254,186.32 and was obligated to repurchase the following securities previously sold by the Phenix Insurance Company to the Carnegie Trust Company at the original sale price of $494,400 plus interest and commission charges:

$278,000 00 Council Bluffs City Water Works Co. 6% bonds.
80,000 00 Council Bluffs City Water Works Co. 5% bonds.
5000 shares Council Bluffs City Water Works Co. preferred stock.
1450 shares Lincoln Gas & Electric Co. stock.

In March, 1910, an agreement was consummated between the company and the Banking Department of this State whereby the above mentioned securities were returned to the company upon the payment of $180,000 and the relinquishing of its deposit of $254,186.32.

During the year 1911 the company sold of the above retransferred securities

$278,000.00 Council Bluffs City Water Works Co. 6% bonds for	$226,166 90
Interest in settlement of unpaid interest on above bonds.....	20,000 00
1450 shares Lincoln Gas & Electric Co. stock.....	43,017 00
Total	$289,183 90

The remaining securities which are in possession of the company, and of no value, have not been included among the bonds and stocks owned as set forth in Exhibit A.

Carter, Wilder & Company:

On April 27, 1911, the company received from said firm $52,500 in full settlement of all claims resulting from the withdrawal of Phenix Insurance Company funds on drafts drawn on them by Goorge P. Sheldon, its former president, to his personal order.

George P. Sheldon:

Between June 13, 1910, and June 28, 1912, the company received from the Sheldon estate $47,453.10 in substantially full settlement of all claims against said estate arising from Mr. Sheldon's transactions as president of the Phenix Insurance Company.

Citizens Insurance Company:

Between October, 1910, and May, 1911, the company received $3,103.12 as part payment on its claim of $15,000 against the Citizens Insurance Company; while the balance of $11,896.88 appears as a ledger asset in the financial statement, it was also deducted therein as an asset not admitted. This matter is now under final adjustment and the company will probably realize about $3,000 more as a settlement in full. No credit has been allowed, however, for the same owing to the fact that it is impossible at this time to definitely ascertain what amount the company will actually realize.

Capital Stock

An examination of the stock ledger and stock certificate books evidences the fact that on September 30, 1912, there were outstanding 24,960 shares of stock of the total par value of $2,496,000 and script for fractional shares amounting to $3,224.08, or a total of $2,499,224.08. I am informed by the transfer clerk that 18 shares of stock of the Phenix Insurance Company of Brooklyn are still outstanding representing a par value of $775.92 of the company's capital stock.

All records in connection therewith are in possession of the Central Trust Company of New York, acting as transfer agent for the company.

GLENS FALLS INSURANCE COMPANY

Glens Falls, N. Y.

Examination on increase of capital stock from surplus.
Report dated August 26, 1912.
Examiner: Richard A. Elmer.

At a meeting of the board of directors of said company held at the company's office in Glens Falls, N. Y., on July 31, 1912, it was resolved that the capital of the company be increased from $200,000 to $500,000, such increase to be taken from the then existing surplus as shown by the following copy of the minutes adopted at said meeting:

Resolved, That in pursuance of the provisions of section 117 of the Insurance Law of this state, the capital stock of this company be increased from two hundred thousand dollars, the present amount thereof, to five hundred thousand dollars, divided into fifty thousand shares of the par value of ten dollars each; that such increase be provided for by transferring three hundred thousand dollars of the present surplus of the company to the capital account; and that this increase of capital be distributed pro rata to the present stockholders of the company.

While no complete examination of the financial condition of the company was made on the exact date of the increase of capital, the assets and liabilities were examined and verified as of June 30, 1912, and the result of such examination shows that the corporation has accumulated and is in possession of a fund, in addition to the amount of its capital stock, special reserve and guaranty surplus funds and all actual outstanding liabilities, in excess of one-half of the amount of all premiums on risks not terminated, of approximately $2,400,000, which is therefore amply sufficient to permit of the aforesaid increase of capital from surplus.

It also appears on the records of the company that the sum of three hundred thousand dollars ($300,000), the increase of capital of said company, has been taken from the surplus account and transferred to the capital account in accordance with the provisions of section 117 of the Insurance Law, and such increase of capital is to be distributed to the stockholders of said company of record on the 31st day of July, 1913, pro rata, according to their respective holdings.

KNICKERBOCKER INSURANCE COMPANY OF NEW YORK

NEW YORK, N. Y.

Examination on organization.
Date of report, January 27, 1913.
Examiner: Isaac Fuld.

Capital paid in in cash	$250,000 00
Surplus paid in in cash	125,000 00
Total	$375,000 00

LONDON AND LANCASHIRE FIRE INSURANCE COMPANY

LIVERPOOL, ENGLAND

Examination on condition of the United States Branch as of September 30, 1911.
Report dated May 7, 1912.
Examiner: Seth C. McArthur.
Assistant Examiners: Train, Fuld, Nangle, Watson.
Appraisal of real estate owned.
Report dated December 13, 1911.
Appraiser: Clarence J. Ramsay.
Report of Counsel on Titles dated November 29, 1911.
Counsel: Harold G. Avon.

The figures reported to the New York office of the Department from Chicago and San Francisco have been combined with the Hartford agency and New York local figures, are set forth in the following report and show the company's financial condition on September 30, 1911:

Ledger Assets

Book value of real estate	$300,000 00
Book value of bonds and stocks	2,883,193 30
Cash in hands of United States trustees	9,502 96
Cash in banks and trust companies and cash in offices	531,782 58
Agents' balances	555,263 83

Suspense account		$413 08
Assurance Company of America		36 28
Orient Fire Insurance Company		11,320 27
London & Lancashire G. & A. Co		2,225 75
Bills receivable		674 53
Total ledger assets		$4,294,412 58

Non-Ledger Assets

Interest and rents accrued		38,207 29
Balance of account with receiver "Atlanta Birmingham"	$18,499 14	
Balance of account with receiver "Security Fire Insurance Co."	1,977 45	
		20,476 59
Reinsurance due on paid losses		13,469 62
Gross assets		$4,366,566 08

Deduct Assets Not Admitted

Agents' balances representing business written prior to July 1, 1911	$55,965 94	
Suspense account	413 08	
Bills receivable (past due)	303 53	
Account "Atlanta Birmingham"	18,499 14	
Account "Security Fire Insurance Co	1,977 45	
Reinsurance due on paid losses, unauthorized, East	144 90	
State of Georgia bonds due 1922	10,500 00	
185 shares Milwaukee Underwriters Building Association stock	185 00	
10 shares Underwriters Salvage Co. of N. Y., stock	1,250 00	
10 shares Underwriters Salvage Co. of Chicago, stock	1,000 00	
Accrued interest on State of Georgia bonds	112 50	
Book value of bonds and stock over market value	101,278 30	
		191,629 84
Total admitted assets		$4,174,936 24

Liabilities

Net amount of unpaid losses and claims	$147,524 37
Unearned premiums	2,508,105 47
Reinsurance premiums due other companies	79,023 74
Return premiums due	1,399 16
Due special agents	152 39
Accrued bills, etc	22,310 13
Taxes due or accrued	40,200 00
Agents' credit balances	270 77

Due Minerva Insurance Co., over-remittance		$463 03
Due Gordon & Hoadley		1,100 19
Total amount of all liabilities, except deposit capital		$2,800,549 25
Deposit capital	$200,000 00	
Surplus over all liabilities	1,174,386 99	
Surplus as regards policyholders		1,374,386 99
Total liabilities		$4,174,936 24

CAPITAL STATEMENT, SEPTEMBER 30, 1911

Assets

Cash in hands of United States trustees	$9,502 96
Appraised value of real estate	300,000 00
Securities on deposit with insurance departments, extended at current market value	484,950 00
Securities vested and held in the United States by trustees, extended at current market valne	2,044,880 00
Total gross assets in the United States, deposited with insurance departments and trustees	$2,839,332 96

Liabilities

Unpaid losses and claims	$147,524 37
Unearned premiums	2,508,105 47
Reinsurance premiums due	66,665 07
Return premiums due	1,399 16
Due special agents	755 62
Taxes due or accrued	40,200 00
Unpaid bills and accounts	22,310 13
Agents' credit balances	2,630 46
Due Minerva Insurance Company	463 03
Due Globe & Rutgers Fire Insurance Co	51 18
Due Gordon & Hoadley	1,100 19
Total liabilities in the United States	$2,791,204 68
Capital under section 27 of the Insurance Law	48,128 28
Total liabilities	$2,839,332 96
Impairment of capital	$151,871 72

ASSETS

Securities:

The securities belonging to this company comprising the trust fund were counted and examined at the banking house of the

United States Mortgage and Trust Company of New York, the United States trustee, on December 15, 1911, and found to be as stated in the annexed Schedule "D," part 1 with the exception of those enumerated below:

Pennsylvania R. R. Co. bonds, par value $25,000 (Sold Dec. 1, 1911).
Western North Carolina R. R. Co. bonds, par value, $31,000 (Sold Dec. 1, 1911).

The cash proceeds realized from the sale of the two lots mentioned above were traced into the trustee cash book.

The Buffalo and Susquehanna R. R. Company 1st mortgage refunding 4 per cent gold bonds listed in said schedule D, part I, were represented by a certificate of deposit, issued by the Equitable Trust Company of New York, dated May 31, 1910, showing that said bonds had been deposited under an agreement dated May 4, 1910, between depositors and a committee named in said agreement. The certificate is transferable only on the books kept for that purpose at the office of the Equitable Trust Company upon the surrender of the certificate duly indorsed.

The deposits for the protection of policyholders in the States of New York, Ohio, Virginia, Georgia and New Mexico were verified by certificates issued by the proper officials and are listed in the annexed schedule D, part 2.

The certificates representing the miscellaneous stocks listed in schedule D, part 4, were found in the custody of the trustees, but it being apparent that the title to said securities was not vested in the trustee or the manager, no credit for same has been allowed in either the capital or general financial statements.

Schedule D, part 3, annexed hereto, contains a list of the securities belonging to the company and in the custody of the United States manager. These securities were found deposited for safe keeping in the vault of the Aetna National Bank at Hartford, Conn., and were examined and counted on November 29, 1911. They consisted of coupon bonds and were found to be as stated in said schedule and credit for same is allowed in the general statement but not in the capital statement.

The trust deed executed July 14, 1879, by the home company and under the terms of which the United States Mortgage and

Trust Company of New York is acting as trustee, provides that the registered bonds be registered in the following form:

"The Special Trustees by Deed of Trust for the time being in the United States of the London and Lancashire Fire Insurance Company of Liverpool, England."

All the registered bonds comprising a portion of the trust fund were so registered with the exception of those enumerated below:

Delaware & Hudson Company bonds, par value $25,000, which are registered in the name of the United States Mortgage and Trust Company, as special trustees by deed of trust dated July 14, 1879, etc., and the bonds of the State of Georgia, maturing in 1922, par value $10,000, market value, $10,500, which are registered in the name of the London & Lancashire Fire Insurance Company.

The State of Georgia bonds referred to above have been disallowed in both statements for the reason that they are under the control of the home company, although in the custody of the United States trustees, but title is not vested in said trustee.

Quotations:

The quotations used to arrive at the market value of the securities were furnished by the Department audit bureau. The use of said quotations resulted in increasing the market value of the securities reported by the company in its statement submitted to the Department for the quarter ending September 30, 1911, in the sum of $6,677.50.

Real Estate:

The real estate owned consists of an eight-story office building situate at Nos. 57-59 William street, New York City, acquired in 1890. In its statement for the quarter ending September 30, 1911, the company carried the book value at $300,000 and the market value at $350,000. A recent appraisal made for the Department reduced that value to $300,000 and at that figure the property is carried in the foregoing financial statement.

Under date of November 29, 1911, special counsel for the Department reported that the title to the real property was vested in the London and Lancashire Fire Insurance Company of Liver-

pool, England; that the original conveyance of the property made on January 21, 1890, was to David Stuart, et al., as trustees for the time being, etc., or their successors in office; that although there is a resolution of appointment filed with the Department, dated July 4, 1904, designating the United States Mortgage and Trust Company as trustees "in whom shall be vested in trust the property, funds and securities now placed or which may hereafter be placed in their hands * * *, from the evidence of title produced by the company, there is nothing to show that the premises at 57 and 59 William street were ever specifically placed in the hands of the new trustees and that there is no conveyance to the United States Mortgage and Trust Company of New York." The Lawyers Title Insurance and Trust Company of New York issued a title policy for $150,000 on January 21, 1890.

The investigation disclosed that on the records in the clerk's office of the county of New York appeared liens against said real estate consisting of two mortgages aggregating $55,000.

These mortgages had been paid prior to this examination but the satisfaction pieces had not been filed. Under date of December 29, 1911, your examiner was advised that proper releases for the mortgages which had "technically" appeared against the property had been found and placed on record with the proper authorities in New York county.

The fire insurance on the building is placed with the following companies:

Royal of England	$25,000 00
Orient of Connecticut	15,000 00
Scottish Union & National	25,000 00
Law, Union & Rock	15,000 00
London Assurance	20,000 00
Total	$100,000 00

Under date of March 16, 1912, Mr. A. G. McIlwaine, Jr., United States manager of the company, stated in a letter to the Superintendent of Insurance, that a deposit of $50,000 had been made with the United States Mortgage and Trust Company of New York to cover the difference between the value of the prop-

erty located at 57–59 William street, New York, owned by the company, and the Department appraisal as reported December 1, 1911.

As further evidence that the deposit had been made the following is quoted:

"New York, March 15, 1912.

"Received of London & Lancashire Fire Insurance Company of Liverpool, England, at the hands of A. G. McIlwaine, Jr., manager, the sum of Fifty Thousand Dollars ($50,000.00), which is to be held by us in accordance with the provisions of the deed of trust dated 14th day of July, 1879, the original of which is lodged in the office of the Superintendent of Insurance of the State of New York, at Albany, New York.

(Signed) United States Mortgage & Trust Company,
Trustees.
By Calvert Brewer, Vice-President."

Accrued Interest:

Article II of the original deed of trust executed the 10th day of July, 1879, appointing Augustus Schell, William H. Slocum and David Stuart, all of New York, as United States trustees of a special "Trust Fund" to be held in trust for and in behalf of the company, recites as follows: "The interest which shall accrue upon the said trust fund shall be collected by the said trustees and paid by them into the said branch of the company in the City of New York."

The present trustee, the United States Mortgage and Trust Company of New York, was appointed at a meeting of the directors of the company held July 4, 1904, at which meeting the following resolution was passed:

"Resolved, That the United States Mortgage and Trust Company of the City of New York in the State of New York, be appointed trustees in whom shall be vested, in trust, the property, funds and securities now placed or which may hereafter be placed in their hands for the purpose of complying with the laws of the State of New York, or any other states or territory of the United States or otherwise."

The trustee by authority given by the above resolution and acting under the original trust deed referred to above, collect the interest when due and deposit the proceeds in a special bank account subject to withdrawal by the manager of the United States branch of the company. Therefore, it is not vested in or held by the United States trustee and becomes no part of the "Trust Fund."

In the foregoing general statement showing the financial condition of the United States branch of the company, credit has been allowed for accrued interest but no credit has been allowed in the capital statement submitted, showing capital under section 27 of the Insurance Law.

Liabilities

Unpaid Losses:

A careful investigation was made of the loss books and records relating to the losses outstanding at the date of this examination. Schedules were furnished by the company showing in detail the unpaid losses reported to the Department as of September 30, 1911. All losses reported to the company subsequent to above date for fires which occurred prior were added to said schedules. For all losses settled between October 1st and about November 24, 1911, the original estimates were corrected to agree with actual settlements, including adjustment expenses and the reinsurance recoverable adjusted accordingly. The final figures resulted in a so-called saving for the agency department at Hartford, and are local department in New York amounting to $2,638.44. The company reported the unpaid loss liability for Hartford and New York departments on September 30, 1911, as $97,315.35. At that date the records show that $9,298.90 was due from other companies for reinsurance recoverable on paid losses which amount was an asset and not a deduction from outstanding loss liability as treated by the company. In the foregoing financial statement such items are treated separately.

San Francisco Conflagration Losses

At the time of the conflagration in San Francisco, the Pacific Coast branch of the company sustained losses and certain claims had been reinsured with the Atlanta-Birmingham Fire Insurance Company of Birmingham, Ala., which defaulted, and in December, 1906, the Hon. W. T. Newman, Judge of Circuit Court of the United States of Northern District of Georgia, appointed A. C. Sexton and J. T. Dargan permanent receivers of the defaulting company.

Since January 1, 1908, said loss transactions have appeared on the books at the Hartford office of the company, having been

transferred for the reason that same could be handled there to better advantage and with more expedition, the receivers and attorneys of the reinsuring and reinsured companies respectively being located in eastern cities.

The company's claims against the Atlanta-Birmingham for reinsurance amounted to $39,826.92, covering 22 claims, and were filed in December, 1906, and have since been increased in the sum of $935.41 for adjustment expenses and interest. On the other hand the "Atlanta-Birmingham" had a counterclaim against this company for reinsurance ceded to it.

Prior to the date of this examination (September 30, 1911), the receivers had paid this company dividends amounting to 45 per cent; 40 per cent in October, 1908, and 5 per cent in February, 1909.

The balance of the account amounting to $18,867.71, has been included in the nonledger assets and deducted as "Not Admitted Assets" in the foregoing financial statement.

PREMIUM RESERVE

The statistics as to the premium reserve for the agency and local departments of the eastern branch are kept at the Hartford, Conn., office. During the examination at that office, test checks were made to determine the correctness of the clerical work of classifying the written business and cancellations by terms of expiration. The tests were perfectly satisfactory. The results were traced into the reserve book and ledger account.

As to the reinsurance effected and in force September 30, 1911, the results are not carried into the reserve book each month. It is the practice of the company at the end of the calendar year to list the reinsurance in force by companies and by terms of expiration. At any other date the "unearned" is estimated. By request the company furnished schedules showing the reinsurance in force September 30, 1911, by terms of expiration which I am convinced are correct, but would suggest that in the future the record be so kept that the net reinsurance in force at the end of each month be shown in the reserve book so that when examined the figures in the New York department of the company may be more readily verified.

The method employed to determine the liability for the unearned premiums in the two departments mentioned above resulted in increasing the sum charged by the company in its statement to the Department for the quarter ending September 30, 1911, from $1,285,000 to $1,312,950.01, an increase of $27,950.01. The figures reported by the Department examiners in San Francisco show an increase for the same item from $329,649.39 to $355,548.67, an increase in that department amounting to $25,899.28. The premium reserve as kept in the Chicago office shows the net premiums in force at the end of each month and the examiners report that the sum charged in the company's quarterly statement ($839,717.41) is decreased by the sum of $110.62, making for all departments a net increase in the total reserve liability of $53,738.67.

Statutory Deposit

On September 30, 1911, the company had on deposit with the Superintendent of Insurance at Albany securities, par value $310,000.

The market value of said securities using Department valuations aggregates $312,950.

In this connection the following is quoted from a letter from the manager dated December 29, 1911, to the Department:

"I beg leave to advise having received intimation from our trustees, the United States Mortgage and Trust Company of New York City, to the effect that on yesterday, they forwarded to your Honorable Department appropriate securities of a par value of $100,000 to be added to our deposit already in your hands."

Capital Statement

The capital statement submitted with this report shows an impairment of capital as defined by section 2 of the Insurance Law. Said impairment amounts to the sum of $151,871.72, as of September 30, 1911.

Under date of December 29, 1911, the United States manager advised the Department as follows:

"I have to-day made a fresh deposit with our trustees, the United States Mortgage and Trust Company, in the sum of $100,000, which will be appropriately shown in our forthcoming annual statement."

The $100,000 deposit referred to was made in cash, transferred from the United States branch bank account to the United States trustees' bank account. The effect of said deposit tends to partially make good the impairment of capital as shown as of September 30, 1911.

HISTORY

The London and Lancashire Fire Insurance Company, of Liverpool, England, was organized under the laws of the Kingdom of Great Britain, December 10, 1861.

It entered the United States in 1879.

Mr. A. G. McIlvaine, Jr., was appointed United States manager of the company in 1893.

The principal office of the company in the United States is at Nos. 57 and 59 William street, New York City. The underwriting office of the eastern or New York department is located at Nos. 20–22 Trinity street, Hartford, Conn. The territory of that department embraces the States of Alabama, Arkansas, Connecticut, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia and West Virginia.

Mr. Charles E. Dox, manager of the western department, with headquarters at Chicago, Ill., has control of the following named States; Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota and Wisconsin.

Mr. James Wyper is the manager of the Pacific Coast department located at San Francisco, Cal. The States and Territories under his jurisdiction are Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

While the western and Pacific Coast departments report their current transactions direct to the home office of the company at Liverpool, and are directly accountable for same to that office, the United States manager, as his title indicates, has general supervision of the affairs of all departments, and to him are rendered

periodical reports and summaries of the operations of the western and Pacific Coast departments, including quarterly and annual statements for combining with the transactions of the eastern department when rendering quarterly, semi-annual and annual statements over the manager's signature, as required by the several insurance departments.

Charter

As provided in the charter granted the company under the Companies Act 1862–1900, the objects for which the company was established were (a) to carry on the business of fire insurance in all its branches and to grant insurance against injury or damage to or loss of property or otherwise directly or indirectly caused by or resulting from fire, lightning, storm, tempest or explosion or by sprinklers or other appliances intended to extinguish, notify or prevent fire; (b) To carry on the business of employers' liability or workmen's compensation insurance and in particular to indemnify from or against liabilities, claims and demands in respect of accidents or alleged accidents resulting in injury whether fatal or otherwise to or caused by any workman or other persons in their employ or with regard to whom they may be under any statutory or other obligation; (c) To carry on the business of accident insurance in all its branches and in particular in relation to human beings and to live stock and to property of all kinds; (d) To carry on the business of marine insurance in all its branches and in particular to insure ships, vessels, boats and crafts of all kinds, and goods, merchandise and property of all kinds and profits and freights; (e) To insure property of all kinds against burglary, theft, seizure, violence, loss, damage, diminution in value or other contingency; (f) To insure against sickness, loss of health, bodily or mental incapacity and other misfortunes; (g) To carry on the business of a plate glass insurance in all its branches; (h) To carry on the business of transit insurance in all its branches and generally to grant insurances against loss or damage to property of any description in transit by land or water, including loss by theft or seizure; (i) To insure against loss or diminution of any capital or of income or profits derived or to

be derived from any source; (j) To carry on all kinds of guarantee and indemnity business and in particular to guarantee the fidelity of persons filling or about to fill situations of trust or confidence and the past performances and discharge by such persons of all or any of the duties or obligations imposed on them by contract or otherwise and to guarantee the due performance and discharge by receivers, officials and liquidators, committees, guardians, executors, administrators, trustees, persons, brokers and agents of their respective duties and obligations; (k) Generally to carry on every kind of insurance and reinsurance business.

POWER OF ATTORNEY

Under date of December 27, 1893, the company ordained, delegated, constituted and appointed Archibald Graham McIlwaine, Jr., of the City of New York, the true and lawful attorney to act as agent and receiver in the city and State of New York and in the States of New Jersey, Pennsylvania, Delaware, Maryland, Virginia, North Carolina, Kentucky, Tennessee, Georgia, South Carolina, Texas, Florida, Arkansas, Louisiana, Alabama, Mississippi, Massachusetts, Connecticut, Rhode Island, New Hampshire, West Virginia, Maine, Vermont and the District of Columbia in the United States of America.

REINSURANCE TREATIES

The company in its Chicago and New York departments effects reinsurance with the Salamandra Insurance Company of St. Petersburg, Russia, under contract.

The Department examiners report from San Francisco, Cal., as follows:

"On January 1, 1908, a reinsurance contract was effected between the Pacific Department and the Russian Reinsurance Company of St. Petersburg, Russia, and also the Russian Transport and Insurance Company of St. Petersburg, Russia, the latter not being authorized to transact business in the State of New York. Under these contracts this department ceded to the United States Branch of the Russian Reinsurance Company a portion of its business written in all the States over which this Department has supervision, but no business written in the States of Colorado, Nevada and Montana is ceded to the Russian Transport and Insurance Company."

Recapitulation of Bonds and Stocks Owned by the United States Branch of the Company

SCHEDULE D

	Book value	Par value	Market value
Deposited with and title vested in United States Trustee, as per Part 1	$2,125,382 36	$2,018,000 00	$2,044,880 00
Deposited with the N. Y. State Ins. Dept. and other States, as per Part 2	504,759 71	480,000 00	484,950 00
Deposited with the United States Manager at Hartford, as per Part 3	239,050 00	240,000 00	239,150 00
Deposited with, but title not vested in, U. S. Trustee, as per Part 4 (Bonds)	11,816 23	10,000 00	10,500 00
(Stocks)	2,185 00	2,185 00	2,435 00
Total book, par and market values	$2,883,193 30	$2,750,185 00	$2,781,915 00

THE NASSAU FIRE INSURANCE COMPANY

BROOKLYN, N. Y.

DUTCHESS FIRE INSURANCE COMPANY

POUGHKEEPSIE, N. Y.

Examination to determine condition upon merger of the two companies under the name of the Nassau and Dutchess Fire Insurance Co.

Report dated October 18, 1912.

Examiners: Seth C. McArthur, Leon S. Senior.

Whereas, the undersigned, Seth C. McArthur, a disinterested person specially appointed for the purpose by the Superintendent of Insurance, having made an examination of The Nassau Fire Insurance Company of Brooklyn as of the close of business on June 30, 1912, as appears in a report on such examination annexed hereto; and,

Whereas, the undersigned, Leon S. Senior, a disinterested person specially appointed for the purpose by the Superintendent of Insurance, having made an examination of the Dutchess Fire Insurance Company of Poughkeepsie, N. Y., as of the close of business on June 30, 1912, as appears in a report on such examination annexed hereto; and,

Whereas, the said two corporations, being domestic fire insurance corporations, have taken proceedings to merge into one corporation under the name of The Nassau and Dutchess Fire Insurance Company, and to become vested by such merger with all the assets and assume all the liabilities of the above named two existing corporations;

Now, therefore, we do hereby severally certify and report under oath that said examinations show said companies at the close of business on June 30, 1912, to have been in possession of total admitted assets amounting to the sum of $1,495,976.18, and to have liabilities except capital amounting to the sum of $771,759.74, as particularly set forth in the respective reports thereon and as further shown in Schedule "A" hereto annexed.

SCHEDULE "A"

The following shows a statement of the combined admitted assets and liabilities (actual and contingent) of The Nassau Fire Insurance Company, of Brooklyn, N. Y., and the Dutchess Fire Insurance Company, of Poughkeepsie, N. Y., to be transferred and assumed by the Nassau and Dutchess Fire Insurance Company in accordance with the terms of the merger and the provisions of law.

Assets

Book value of real estate	$15,000 00	
Mortgage loans	48,658 86	
Market value of bonds and stocks	1,195,445 00	
Deposits in banks and cash in office	91,752 51	
Agents' balances	136,207 85	
Accrued interest and rents	6,749 38	
Uncollected reinsurance on paid losses	2,162 58	
Total admitted assets		$1,495,976 18

Liabilities

Losses and claims	$98,666 40	
Unearned premiums	625,995 68	
Due for reinsurance	3,263 66	
Reserve for taxes and accrued bills	10,500 00	
Reserve to cover contingent liability to trustees of The Dutchess Insurance Co	33,334 00	
Total liabilities, except capital		$771,759 71
Capital stock	$400,000 00	
Surplus	324,216 44	
Surplus to policyholders		724,216 44
Total liabilities		$1,495,976 18

Nassau Fire Insurance Company

The financial condition of the company at the close of business June 30, 1912, was found to be as follows:

Assets

Market value, bonds and stocks	672,975 00
Cash in banks and in office	72,202 36
Agents' balances	69,979 76
Special account (deposited in the Peoples National Bank of Hackensack, N. J.)	5,000 00
Interest due and accrued on bonds	2,900 85
Uncollected reinsurance on paid losses	2,162 58
Declared dividends on stocks (collected since June 30, 1912)	150 00
Total assets	$825,370 55

Liabilities

Net unpaid losses		$60,308 00
Unearned premiums		341,708 51
Reserve for unpaid taxes, bills, etc		6,000 00
Liabilities, except capital		$408,016 51
Capital	$200,000 00	
Surplus	217,354 04	
Surplus to policyholders		417,354 04
Total liabilities		$825,370 55

A List of the Bonds and Stocks Owned by the Nassau Fire Insurance Company of Brooklyn, at the Close of Business, June 30, 1912

	Par value	Market value
Bonds:		
New York City	$226,000 00	$200,640 00
Brooklyn Rapid Transit	10,000 00	10,500 00
Norfolk & Western R. R., convertible	10,000 00	11,600 00
New York, New Haven & Hartford R. R., convert.	10,000 00	9,100 00
Chesapeake & Ohio R. R., convertible	10,000 00	9,400 00
Stocks:		
8,000 Shares Brooklyn City R. R.	80,000 00	132,800 00
600 Shares Manhattan Railway Company	60,000 00	82,200 00
144 Shares Mechanics Bank of Brooklyn	7,200 00	16,920 00
334 Shares Nassau National Bank of Brooklyn	33,400 00	73,480 00
50 Shares National City Bank of Brooklyn	2,500 00	7,250 00
264 Shares Consolidated Gas Co., New York	26,400 00	37,488 00
100 Shares Mortgage Bond Company, New York	10,000 00	10,600 00
186 Shares American Tel. & Teleg. Co., N. Y.	28,600 00	42,042 00
70 Rights American Tel. & Teleg. Co., N. Y.	.....	595 00
100 Shares Union Pacific R. R. (common)	10,000 00	17,200 00
100 Shares Southern Pacific Company (common)	10,000 00	11,200 00
Total	$534,100 00	$672,975 00

Dutchess Fire Insurance Company

The agreement for the merger of both corporations was ratified on September 19, 1912, by the stockholders in accordance with the provisions of section 129 of the Insurance Law on the basis of the respective financial condition of each company as shown at the close of business on June 30, 1912. The financial condition of this company on the said date appears in the following statement:

Ledger Assets

Book value of real estate	$15,000 00	
Mortgage loans	48,658 86	
Book value of bonds and stocks	520,584 78	
Deposits in banks and cash in office	14,550 15	
Bills receivable	400 00	
Agents' balances	67,195 18	
Total		$666,388 97

Non-Ledger Assets		
Accrued interest and rents	$3,698 53	
Market value of stocks and bonds over book value	1,885 22	
Total		$5,583 75
Gross assets		$671,972 72
Assets Not Admitted		
Bills receivable	$400 00	
Agents' balances on business written prior to April 1, 1912	967 09	
Total		1,367 09
Total admitted assets		$670,605 63
Liabilities		
Losses and claims	$38,358 40	
Unearned premiums	284,287 17	
Due for reinsurance	3,263 66	
Bills and accounts due and accrued	1,250 00	
Reserve for taxes	3,250 00	
Reserve to cover contingent liability to trustees of Dutchess Insurance Co	33,334 00	
Total except capital		$363,743 23
Capital	$200,000 00	
Surplus	106,862 40	
Surplus to policyholders		306,862 40
Total liabilities		$670,605 63

Surplus

In the quarterly statement to this Department as of June 30, 1912, the Company shows a surplus amounting to $141,076.12. In the foregoing financial statement appearing in this report, the surplus of the Company is shown as $106,862.40.

Agents' Balances

The difference in the agents' balances over three months is due to clerical errors.

Bills Receivable

This item represents a note for premiums given by an agent, and under the usual rules of the Department, is treated as a non-admitted assets.

Securities

The decrease in the market value of securities is due to a difference in the quotations adopted by the company and those employed by the financial expert for the Department.

Unpaid Losses

The reduction in the reserve for losses and claims is accounted for by the fact that the examiner has employed actual cash figures in all cases where settlements have been effected since June 30th and prior to the date of this examination.

Reserve for Contingent Liability Due to Dutchess Insurance Company

There are now pending several suits against this company brought by the trustees, stockholders and creditors of the Dutchess Insurance Company, a corporation now being liquidated by its trustees in conformity with the provisions of section 35 of the General Corporation Law. These suits involve questions of reinsurance of the business of the Dutchess Insurance Company and the transfer of securities and other assets by that corporation to the Dutchess Fire Insurance Company during 1906. The facts regarding such reinsurance and the transfer of securities and other assets are fully related in a previous report on an examination of this company under date of June 9, 1910. The reserve above provided is intended to cover the contingent liability alleged by the plaintiffs in the several suits now pending to be due from the Dutchess Fire Insurance Company and to be maintained until the final judicial determination of the questions raised in the litigation herein referred to.

Minutes

I have examined the minutes of the meetings of the Board of Directors and of the stockholders of this corporation and find that all the necessary legal steps have been taken for the merger of the Dutchess Fire Insurance Company with The Nassau Fire Insurance Company in accordance with the provisions of section 129 of the Insurance Law.

NETHERLANDS FIRE AND LIFE INSURANCE COMPANY — UNITED STATES BRANCH

Chicago, Ill.

Verification of capital statement as of March 10, 1913.
Report dated March 12, 1913.
Examiner: John L. Train.

Assets

Deposited with New York Insurance Department:

	Par value	Market value
City of New York, corp. stock, 3½s, 1948	$25,000 00	$21,500 00
City of New York, corp. stock, 3½s, 1940	50,000 00	43,500 00
City of New York, consol. stock, 3½s, 1915	100,000 00	98,000 00
City of New York, consol. stock, 3½s, 1922	50,000 00	47,000 00
Deposited with trustee:		
City of New York, consol. stock, 3½s, 1918	43,000 00	41,280 00
City of New York, consol. stock, 3½s, 1918	50,000 00	48,000 00
City of New York, corp. stock, 3½s, 1952	4,000 00	3,400 00
City of New York, corp. stock, 3½s, 1952	6,000 00	5,100 00
City of New York, corp. stock, 3½s, 1952	150,000 00	127,500 00
New York Telephone Co., 1st mtg., 4½s, 1939	6,000 00	5,820 00
Northern Pac. R. R. Co., prior lien, 4s, 1997	10,000 00	9,800 00
Norfolk & Western R. R. Co., 1st mtg., 4s, 1996	10,000 00	9,700 00
Atchison, T. & St. Fe R. R., 4s, 1995	10,000 00	9,700 00
American Tel. & Tel. Co., col. trust, 4s, 1929	4,000 00	3,560 00
Mo., Kansas & Texas R. R. Co., 4s, 1990	15,000 00	14,250 00
Illinois Central R. R. Co., 4s, 1953	10,000 00	9,600 00
Louisville & Nashville R. R. Co., 4s, 1940	10,000 00	9,900 00
Chicago, B. & Quincy R. R. Co., 4s, 1958	10,000 00	9,500 00
Chicago, B. & Quincy R. R. Co., 4s, 1958	3,000 00	2,850 00
Union Pac. R. R. Co., 1st mtg., 4s, 1947	12,000 00	11,880 00
Totals	$578,000 00	$531,840 00
Accrued interest on bonds		7,306 20
Total assets		$539,146 20

Liabilities

Salaries, rents, traveling expenses, etc., accrued	$6,651 12
Capital under section 27 of Insurance Law	532,495 08
Total	$539,146 20

The deposit with the Superintendent of Insurance of the State of New York was verified by a certificate from the Superintendent dated March 10, 1913.

The bonds deposited with the trustee, the Harris Trust and Savings Bank of Chicago, Ill., were verified by actual count on March 11, 1913. All of such bonds are registered in the name of "Harris Trust and Savings Bank of Chicago, Illinois, in trust for the Netherlands Fire and Life Insurance Co. est. 1845, of the Hague, Holland."

The item of liabilities for unpaid salaries, traveling expenses, rents, etc., consists of the proportion of the expenses of the Chicago office, which this company shares with two other companies under the same management. The agreement as to such expenses became effective January 1, 1913.

NORTHERN INSURANCE COMPANY

MOSCOW, RUSSIA.

Examination on condition of the United States Branch as of February 28, 1913.

Report dated May 2, 1913.

Examiner: Isaac Fuld.

Assistant Examiner: John J. Cunningham.

Ledger Assets

Book value of bonds	$680,200 32
Cash in Trust Company, general account	103,706 08
Cash in Trust Company, trustee account	92 02
Agents' balances representing business written subsequent to November 30, 1912	73,971 39
Agents' balances representing business written prior to December 1, 1912	2,339 46
Total ledger assets	$860,309 27

Non-Ledger Assets

Interest accrued on bonds	12,757 91
Interest accrued on deposits	398 05
Gross assets	$873,465 23

Deduct Assets Not Admitted

Book value of bonds over market value	$8,700 32	
Agents' balances representing business written prior to December 1, 1912	2,339 46	
		$11,039 78
Total admitted assets		$862,425 45

Liabilities

Unpaid fire losses		$56,001 69
Unearned premiums:		
On one year risks	$228,798 07	
On term risks	143,605 90	
Total unearned premiums		372,403 97
Taxes due and accrued on premiums (estimated)		2,670 00
Fire department tax due and accrued (estimated)		1,000 00
Sundry unpaid bills		198 78
Total liabilities, except deposit capital		$432,274 44
Deposit capital	$200,000 00	
Surplus	230,151 01	
Surplus to policyholders		430,151 01
Total liabilities		$862,425 45

Capital Statement

The financial condition of the United States Branch of the Company, under the requirements of section 27 of the Insurance Law, on February 28, 1913, as ascertained by this examination, was as follows:

Assets

Market value of bonds, including accrued interest, held by United States trustee or deposited with Insurance Department	$623,232 91
Cash in Trust Company, trustee account	92 02
Total gross assets in the United States deposited with insurance departments and trustee	$623,324 93

Liabilities

Unpaid fire losses	$56,001 69
Unearned premiums	372,403 97
Taxes due and accrued on premiums (estimated)	2,670 00
Fire department tax due and accrued (estimated)	1,000 00
Sundry unpaid bills	198 78
Total liabilities in the United States	$432,274 44

Capital under section 27 of the Insurance Law	$191,050 49
Total (being the gross assets reported above)	$623,324 93
Capital required under section 27	$200,000 00
Capital in possession of company on February 28, 1913	191,050 49
Impairment	$8,949 51

The foregoing capital statement shows that the capital of the Company on February 28, 1913, under the provisions of section 27 of the Insurance Law, amounted to $191,050.49, which is $8,949.51 less than the minimum sum foreign fire insurance corporations are required to have under the provisions of said section.

The impairment stated was made good by a deposit being made on April 28, 1913, with the Bankers Trust Company of New York, the company's United States trustee, of the following securities:

Description	Par value	Market value
City of New York 4¼% bonds, 1960	$35,000 00	$35,000 00
City of New York 4¼% bonds, 1962	25,000 00	24,750 00
Totals	$60,000 00	$59,750 00

Financial Statement

The general statement appearing above shows the United States Branch of the Company to have a surplus in excess of its minimum deposit capital of $230,151.01. Included in this statement are certain figures pertaining to business transacted in Canada. Owing to the fact that the volume of such business, however, is very small, it was not deemed necessary, for the purpose of this examination, to make any distinction therefor. I would respectfully suggest, however, that the Company be requested to exclude its Canadian business entirely from the accounts of the United States Branch.

Bonds.— The bonds owned were examined and counted, except the securities hereinafter referred to under the heading "Statu-

tory Deposits." The market values were extended as per quotations obtained from the Audit Bureau of this Department. "Exhibit A" attached to this report contains a list of all bonds owned, together with the book, par and market values thereof. Among the securities appearing in said "Exhibit A," the following were, on date of this examination, held by the United States manager and therefore have not been credited in the foregoing capital statement:

Description	Par value	Market value
City of New York 4¼%, 1962	$25,000 00	$24,750 00
City of New York 4¼%, 1960	35,000 00	35,000 00
Totals	$60,000 00	$59,750 00

Unearned Premiums.— The unearned premium liability of $372,403.97 has been computed upon a pro rata basis and is $29,606.28 in excess of the amount if computed upon the annual statement basis. It has been verified by a thorough checking of a number of bordereaux furnished by the ceding companies containing a complete record of all premiums ceded and cancelled, with the company's reserve book and the listing of all premiums written and cancelled in January and February of this year.

Statutory Deposits

Included in the list of securities owned as set forth in "Exhibit A," the Company has on deposit with the Insurance Departments of Ohio and New York the following bonds for the protection of its policyholders in the United States:

State	Description	Par value	Market value
Ohio,	City of Columbus, Ohio, 4%, 1931..	$100,000 00	$103,000 00
New York,	City of New York, 4¼%, 1960....	200,000 00	200,000 00

Certificates were obtained from the above-mentioned Insurance Departments covering said deposits.

To conform with the statutory requirements of various States, the company has filed with officers of such States surety bonds as follows:

State	Amount of bond
Louisiana	$20,000 00
North Carolina	10,000 00
Texas	10,000 00

General Remarks

Your attention is called to the fact that beginning with January 1, 1913, the computing of the unearned premium liability and the records of the incurred and paid losses were transferred from the New York office of Fester & Folsom, the United States manager of the company, to their Hamburg office, and therefore the records at the office here are not kept up to date. It was further ascertained that in the annual statement filed with the Department for the year ending December 31, 1912, the premiums written and cancelled ceded by certain companies for the month of December were not included, owing to the fact that such companies close their books for the calendar year on November 30th. I would therefore respectfully suggest that the United States manager of the company be requested to keep the records at the New York office at all times up to date, and that all business transacted up to December 31st of each year be included in the company's annual statements.

THE PELICAN ASSURANCE COMPANY

NEW YORK, N. Y.

Examination on condition as of March 31, 1913.
Report dated June 3, 1913.
Examiner: Charles H. Gardner.

Assets

Book value of bonds	$650,856 00
Cash in bank	32,426 30
Agents' balances within 90 days	59,916 40
Agents' balances over 90 days	3,333 76
Philadelphia Underwriters deposit	100 00
Total ledger assets	$746,632 46

Non-Ledger Assets		
Interest accrued	$9,346 17	
Reinsurance due on losses paid	219 19	
Total		$9,565 36
Gross assets		$756,197 82
Deduct Assets Not Admitted		
Book value of bonds over market	$4,413 25	
Agents' balances over 90 days	3,333 76	
		7,747 01
Total admitted assets		$748,450 81
Liabilities		
Unpaid losses	$46,122 62	
Less reinsurance	15,441 01	
Net amount of unpaid losses		$30,681 61
Unearned premium fund, 1 year risks	$84,467 93	
Unearned premium fund, term risks	170,096 82	
Total unearned premiums		254,564 75
State tax on premiums (estimated)		2,000 00
Salaries, rent and office expenses		2,500 00
Contingent commissions due		5,500 00
Reinsurance premiums due		11,262 90
Agents' credit balances		359 48
Total amount of liabilities, except capital		$306,868 74
Capital	$200,000 00	
Surplus	241,582 07	
Surplus to policyholders		441,582 07
Total liabilities		$748,450 81

As a result of this examination it was found that the company on March 31, 1913, possessed a surplus in the sum of $241,-582.07 in addition to its capital of $200,000. All assets and liability items entering into the above financial statement were compiled from the company's books. The securities owned were verified by a personal count. The unearned premium fund was checked and the amount of this liability, as set forth above, is believed to be approximately correct. Other items were verified

in the usual manner and were found to agree with the company's records.

The company was incorporated March 7, 1899, with a capital of $200,000, divided into 2,000 shares of a par value of $100 each. The stock certificate book was examined and the certificates, as shown thereon to be outstanding, agreed with the record contained in the stock ledger.

The control of the company by stock ownership is held by the Phoenix Assurance Company, Ltd., of London, England. Its affairs are conducted in the office of the U. S. branch of said company, located at 100 William Street, New York City. Mr. L. P. Bayard, president of the Pelican Assurance Company, is likewise an associate United States manager of the above mentioned foreign corporation.

PEOPLES' NATIONAL FIRE INSURANCE CO.

WILMINGTON, DEL.

Joint examination by the Insurance Departments of Massachusetts, New York, North Carolina and Pennsylvania on condition as of May 31, 1912.

Report dated July 10, 1912.

Examiners: S. H. Wolfe for Massachusetts, R. A. Elmer and T. L. Lynch for New York, J. Froggatt for North Carolina and William J. Roney for Pennsylvania.

History

The Company was incorporated April 29, 1908, under the laws of the State of Delaware, under an act approved March 10, 1899, entitled "An act providing a General Corporation Law." The principal office of the company is situated at Wilmington, Del., which is the nominal office only. The fiscal office, containing the company's records for the transaction of business, is located at Philadelphia, Pa., and is, to all intents and purposes, the home office of the company.

We have prepared a statement of the Company financial condition at the close of business May 31, 1912, as follows:

Capital Stock

Amount of capital paid up in cash	$1,000,000 00
Amount of ledger assets (as per balance) Dec. 31, 1911	$2,033,286 55

Income

Net premiums (other than perpetual)		$304,473 08
Deposit premiums written on perpetual risks		2,458 50
Gross interest on mortgage loans	$14,923 68	
Gross interest on collateral loans	2,402 19	
Gross interest on bonds and dividends on stocks	35,507 16	
Gross interest on deposits in trust companies and banks	694 95	
Total gross interest		53,527 98
Borrowed money	$90,000 00	
Earned from perpetual policies cancelled	8 00	
		90,008 00
Gross profit on sale or maturity of bonds	$3,018 30	
Gross profit on sale or maturity of stocks	2,280 00	
		5,298 30
Total income		$445,765 86
Amount carried forward		$2,479,052 41

Disbursements

Gross amount paid policyholders for losses	$483,673 22	
Deduct amount received for salvage, fire	$3,748 39	
Reinsurance, fire	144,973 75	
	148,722 14	
Net amount paid policyholders for losses		$334,951 08
Expenses of adjustment and settlement of losses		10,322 48
Commissions or brokerage		97,452 11
Commissions or brokerage, contingent		7,114 54
Salaries, $4,563.32, and expenses, $2,925.27 of special and general agents		7,488 59
Salaries, fees, and all other charges of officers, directors, trustees and home office employees		27,092 86
Rents		1,250 00
Advertising, $2,796.14; printing and stationery, $3,770.14		6,566 28
Postage, telegrams, telephone and express		2,795 73
Legal expenses		49 80
Furniture and fixtures		100 55
Maps, including corrections		2,415 25
Underwriters' Boards and Tariff Associations		3,736 87
Inspections and surveys		1,256 71

State taxes and premiums		$16,491 93
Insurance Department licenses and fees		7,581 45
Miscellaneous expenses	$2,202 22	
Agency expenses for month of May (estimated)	2,000 00	
		4,202 22
Borrowed money returned		20,000 00
Deposit premiums returned		170 00
Gross loss on sale or maturity of bonds		216 70
Total disbursements		$551,255 15
Balance		$1,927,797 26

Ledger Assets

Mortgage loans on real estate, first liens		$527,447 50
Loans secured by pledge of bonds, stocks or other collateral		71,600 00
Book value of bonds	$939,575 09	
and stocks	112,496 25	
		1,052,071 34
Cash in company's office	$3,173 52	
Deposits in trust companies and banks on interest	82,315 72	
		85,489 24
Agents' balances, representing business written subsequent to March 1, 1912		154,321 99
Agents' balances, representing business written prior to March 1, 1912		11,867 19
Deposit made with Philadelphia Stock Exchange		25,000 00
Total ledger assets		$1,927,797 26

Non-Ledger Assets

Interest due and accrued on mortgages	$7,856 83	
Interest due and accrued on bonds	11,747 13	
Interest due and accrued on collateral loans	232 00	
		19,835 96
Due from reinsuring companies on losses paid		27,966 20
Other miscellaneous non-ledger assets		1,670 07
Gross assets		$1,977,269 49

Deduct Assets Not Admitted

Agents' balances, representing business written prior to March 1, 1912	$11,867 19	
Book value of ledger assets over market value	9,479 34	
		21,346 53
Total admitted assets		$1,955,922 96

Liabilities

Gross claims for losses resisted	$169,486 70	
Deduct reinsurance due or accrued	46,269 29	
Net amount of unpaid losses and claims		$123,217 41
Total unearned premiums, except perpetuals		608,544 00
Amount reclaimable by the insured on perpetual fire policies, being 90 per cent of the premium or deposit received		10,564 00
Interest due or accrued on borrowed money		532 76
Salaries, rents, expenses, bills, accounts, fees, etc., due or accrued		485 89
Estimated amount hereafter payable for Federal, State and other taxes based upon the business of the year of this statement		4,566 00
Due and to become due for borrowed money		70,000 00
Total amount of all liabilities except capital		$817,910 06
Capital actually paid up in cash	$1,000,000 00	
Surplus over all liabilities	138,012 90	
Surplus as regards policyholders		1,138,012 90
Total liabilities		$1,955,922 96

Borrowed Money

The Company deemed it advisable to borrow money from banks to meet the heavy losses, taxes, etc., incurred during the first two months of this year, rather than to dispose of any securities in the then unfavorable state of the security market.

Capital Stock

The outstanding certificates of capital stock were ascertained from the stubs of the certificate book, and checked with the stock ledgers. From these sources it was ascertained that there were 40,000 shares outstanding of the par value of $25 each, a total of $1,000,000. There was also obtained from the registrar of the stock, the Merchants Union Trust Company, of Philadelphia, a statement under date of June 17, 1912, showing that the same amount was outstanding according to its books. The organization of the company, which was commenced in 1906, provided for a capital of $1,000,000, to consist of 40,000 shares of the par value of $25 each and a surplus of $800,000. The subscribers' agreement provided that for each share of stock the purchaser was

to pay $50, of which amount $25 was to be applied to the capital account, $20 to the surplus, and $5 used for organization expenses; the subscriptions could be paid for in ten or less installments, and the payments were to be made to the Central Trust & Savings Company, of Philadelphia, which acted as trustee for the Organization Committee. The fund so deposited with the Trust Company bore interest at the rate of 2½ per cent. per annum. In reality, the Organization Committee received a larger amount for expenses, as the subscriptions of defaulting subscribers were resold, and the Organization Committee received on such resold subscriptions a further amount of $5 per share for expense purposes. During 1908 various sums collected by the trustee were either used for the purchase of securities or transferred to other banking institutions.

GENERAL CONDITIONS

Contingent Commission Agreements

An inspection of the records of the Company discloses the fact that contingent commission agreements have been entered into with the President of the Company and with some of the general agents. The agreement with the President, as referred to in previous reports, was entered into November 5, 1908, and provided that he should receive a salary of $6,000 per annum, with a 5 per cent. contingent commission on net underwriting profits at the end of the fiscal year, January 1, 1910. The underwriting profit was to be computed by deducting from the premiums written all losses and expenses for the year ending December 31, 1909, but excluding any profit or interest from investments. On February 24, 1910, the minutes of the Executive Committee show that the President received $25,798.85, being 5 per cent. of the underwriting profit for 1909, computed in the manner specified above. In reality, there was an underwriting loss during that year of over $270,000. It will be noted that the unearned premiums on business written have not been taken into account in calculating this contingent commission, which is really not an underwriting profit, but is merely a trade profit. While it is not unusual for companies to agree to pay trade profits to officers and

agents, such arrangements are made after the business has been in force for a sufficient length of time to justify the omission of the unearned premium account; unless some abnormal conditions prevail the increase and the decrease of the unearned premium account offset one another, and therefore no injustice results from the omission of that item from the calculation of the trade profit. In the case of a new company, however, the failure to take into account this item works an injustice to the company in that it changes an actual underwriting loss into an apparent profit. It will be noted that the terms of the resolution provided for an "underwriting profit," while the method of computing the same provided for a "trade profit."

It has been stated to us by the President that the Board of Directors intended to provide in this way for extraordinary expenses incurred by him in the promotion of the company. If the Board of Directors intended this, the President's knowledge of the business should have indicated to him the advisability of clothing the resolution in language which could not have been misunderstood. On August 1, 1910, this arrangement was cancelled, and in lieu thereof the President was voted a salary of $15,000 per annum for five years. On December 12, 1911, the President agreed to contribute $7,500 per annum to the Company from his salary, although waiving in no particular his rights under the contract made during 1910.

The Company has entered into a number of profit sharing arrangements with its general agents. During the year 1910 the Company paid to general agents contingent commissions amounting to $36,000. The contract arrangement was in the usual form, but because of the fact that the company was in the first year of its business, and no account having been taken of the unearned premium account, these profits were of necessity very heavy.

Dividends to Stockholders

Payments to stockholders have been made as follows, viz.:

During 1910	$50,000 00
During 1911	50,000 00

It is evident that these payments have been made from the interest earnings. In view of the unfavorable underwriting experi-

ence of this Company it seems unwise to the examiners that the surplus should be depleted in this manner.

Present Conditions

It is apparent from an inspection of the records of the Company that during its early history its loss experience was extremely bad. During the past twelve months, however, a decided improvement has been observed, not only in the quality of risks placed upon the books, but also in the managerial expenses. The present management has given evidence of a sincere desire to administer the company in a more economical way, the salaries of the principal officers have been reduced, and the records remodeled in such a way as to promote the general efficiency of the office. In a previous examination by the Pennsylvania Insurance Department attention was called to the fact that the minutes were kept in loose leaf form on unnumbered pages, and in a way which afforded no security to this important record. Although the matter received the attention of the Board of Directors, the minute book is being kept in the same way at the present time, but the secretary has purchased a bound and locked book, and has expressed his intention of entering the minutes from January 1, 1912, therein.

SOUTH GERMAN REINSURANCE COMPANY OF MUNICH, BAVARIA

Examination for verification of capital statement of United States Branch on application for admission to the State of New York.

Report dated November 6, 1912.

Examiner: Isaac Fuld.

Capital statement as of October 31, 1912.

Assets

Deposited with Insurance Department:

New York	Par value	Market value
City of New York, 4%, 1966	$100,000 00	$97,000 00
City of New York, 4%, 1900	100,000 00	100,000 00

	Par value	Market value
Connecticut		
City of New York, 4%, 1969	$210,000 00	$205,800 00
Ohio		
City of Columbus, O., 4%, 1947	100,000 00	104,000 00
Total deposited in insurance departments	$510,000 00	$506,800 00
Held by Hartford Trust Company as trustees:		
City of New York, 4¼%, 1962	150,000 00	150,000 00
City of New York, 4½%, 1957	20,000 00	21,000 00
U. S. Consols, 5%, 1918	10,000 00	10,300 00
Union Pacific R. R. Co., ref. 4%, 2006	5,000 00	4,800 00
Southern Pacific Ry. Co., ref. 4%, 2055	25,000 00	23,250 00
Cash in bank	25,805 50	25,805 50
Total gross assets in the United States deposited with insurance departments and trustees	$745,805 50	$741,955 50

Liabilities

Unearned premiums on one year risk	$276,073 76	
On term risks	125,375 32	
Total unearned premiums		$401,449 10
Unpaid losses		56,090 49
Salary		166 66
Total liabilities in the United States		$457,706 25
Capital under section 27 of the Insurance Law		284,249 25
Total (being the gross assets reported above)		$741,955 50

The above statement shows the capital of the company under the provisions of section 27 to have been on date of this examination, October 31, 1912, the sum of $284,249.25 or $84,249.25 more than the minimum legal requirement.

Your attention is called to the fact that the deposit with the Insurance Department of this State at its present market value is $3,000 less than the amount required under section 27 of the Insurance Law.

THE SOVEREIGN FIRE ASSURANCE COMPANY OF CANADA — U. S. BRANCH

TORONTO, CANADA.

Preliminary report on examination.
Dated October 9, 1912.
Examiner: Richard A. Elmer.

The examination was commenced on October 8th, and so serious a condition of affairs was at once developed that I considered it advisable to submit the following preliminary report thereon:

The company was incorporated on May 16, 1905, under a charter granted by the Dominion of Canada, and commenced business May 11, 1906. On November 14, 1910, the company applied for a license to transact the business of fire insurance in the State of New York, submitting the customary capital statement. This statement was verified by an examination made by this Department, and showed admitted assets of $508,117.50, liabilities of $170,406.17 and a capital under section 27 of the Insurance Law of $337,711.33. On such verified showing a certificate was issued.

A capital statement as of September 30, 1912, shows the company's condition to be approximately as follows:

Assets

	Par value	Market value
Securities deposited with the Superintendent of Insurance of the State of New York	$211,000 00	$210,800 00
Securities vested and held by trustees	303,948 21	285,290 28
Total assets in the United States		$496,090 28

Liabilities

Unpaid losses	$102,374 47
Unearned premiums	348,104 90
Due for reinsurance	51,833 25
Accrued liabilities	8,000 00
Total liabilities	$510,312 62
Excess of liabilities over assets	$14,222 34

Assets

The only assets in the possession of the company that are permissible for capital statement purposes, as provided for in section 27 of the Insurance Law, are the securities deposited with the Insurance Department of the State of New York and those held by the United States trustee. The New York Trust Company, of New York, acts as the United States trustee, and the securities held by the said trust company were examined and counted on October 7, 1912.

Liabilities

The loss records are in extremely poor condition and to ascertain the exact amount of this liability will require the expenditure of much time. The amount carried in the foregoing statement, however, represents the total of unpaid claims as shown in the loss books, and is believed to represent a minimum figure for this liability.

The unearned premium reserve was compiled from the company's reserve records, and contains certain estimates to bring same to the date of this report. Although the reserve has not been checked in any way I consider it improbable that this liability can, on thorough examination, be reduced.

The amount due for reinsurance is an estimate based on the figures of August 31, 1912, and is also considered to be the minimum liability on such account.

Impairment

As shown in the foregoing capital statement, the minimum capital of $200,000, as required by the Insurance Law of this State, has been entirely extinguished, the liabilities exceeding the assets by approximately $14,000. As before noted, a complete examination will be necessary before the exact facts can be established, but there can be no question that the company's capital is heavily impaired.

In view of the reported impairment of the home company located in Toronto, Canada, and the heavy impairment of the United States Branch, it would appear to be advisable that this department take such action as may best protect the policyholders of the United States.

The company was incorporated on May 16, 1905, under a charter granted by the Dominion of Canada, and commenced business May 11, 1906. On November 14, 1910, the company applied for a license to transact the business of fire insurance in the state of New York, submitting the customary capital statement. This statement was verified by an examination made by this department and showed admitted assets of $508,117.50, liabilities of $170,406.17 and a capital under section 27 of the Insurance Law of $337,711.33. On such verified showing a certificate was issued.

The present examination was commenced on October 7, 1912, and so serious a financial condition was at once disclosed that a preliminary report was submitted to you under date of October 9, 1912. This report showed, that under the capital statement requirements as provided for in section 27 of the Insurance Law of this State, the minimum deposit capital of $200,000 had been wiped out and the liabilities exceeded the assets by $14,222.34.

CAPITAL STATEMENT

The capital statement referred to in the preceding paragraph and which was found on thorough examination to be approximately correct shows the company's condition on September 30, 1912, to have been as follows:

Assets

	Par value	Market value
Securities deposited with the Superintendent of Insurance of the State of New York	$211,000 00	$210,800 00
Securities vested and held by trustees	303,948 21	285,290 28
Total assets in the United States		$496,090 28

Liabilities

Unpaid losses	$102,374 47
Unearned premiums	348,104 90
Due for reinsurance	51,833 25
Accrued liabilities	8,000 00
Total liabilities	$510,312 62
Excess of liabilities over assets	$14,222 34

General Financial Statement

The financial condition of the company under the general form of statement on September 30, 1912, was found to have been as follows:

Ledger Assets

Book value of bonds	$507,919 86	
Cash in office	700 00	
Deposited in banks	15,633 85	
Agents' balances subsequent to July 1, 1912	60,825 15	
Agents' balances prior to July 1, 1912	2,085 80	
Philadelphia Underwriters' deposit	100 00	
Total ledger assets		$587,264 66

Non-Ledger Assets

Accrued interest	7,920 09
Gross assets	$595,184 75

Not Admitted Assets

Agents' balances prior to July 1, 1912	$2,085 80	
Book value of bonds over market values	11,829 58	
		13,915 38
Total admitted assets		$581,269 37

Liabilities

Net amount of unpaid losses and claims		$102,374 47
Unearned premiums		348,104 90
Due for reinsurance		51,833 25
Accrued taxes, bills, etc		8,000 00
Total liabilities		$510,312 62
Minimum deposit capital	$200,000 00	
Impairment of capital	129,043 25	
Excess of assets over liabilities		70,956 75
		$581,269 37

The income and disbursements from January 1, 1912, to September 30, 1912, were as follows:

Income

Gross premiums		$665,495 79	
Deduct amount paid for			
Return premiums	$156,511 03		
Reinsurance premiums	96,948 93	253,459 96	
Net premiums			$412,035 83
Interest			14,660 50
Other income (Skandinavia premium reserve)			19,993 23
Received from home office			19,982 80
Error in bank balance December 31, 1911			40
Total income			$466,672 76
Balance December 31, 1911 (ledger assets)			605,063 06
Total			$1,071,735 82

Disbursements

Gross losses paid		$326,416 43	
Deduct amount received for			
Reinsurance	$79,309 10		
Salvage	1,234 80		
Discounts	200 38	80,744 28	
Net amount paid for losses			$245,672 15
Expense of adjustment of losses			6,256 01
Commissions			134,156 73
Special and general agents' salaries			1,954 04
Special and general agents' expenses			2,484 16
Salaries, etc.			14,045 38
Rents			3,055 00
Advertising			576 00
Printing and stationery			2,055 14
Postage			2,428 79
Office furniture and fixtures			333 44
Maps and corrections			246 73
Underwriters' boards, tariff association			2,009 71
Fire department patrol, etc			445 14
Inspections and surveys			911 57
Taxes on premiums			5,531 81
Insurance department licenses			1,824 77
All other licenses, fees, etc			164 18
Sundry expenses			5,161 80
Mercantile agencies			600 00
Remitted to home office			48,397 73
Travelling expenses			2,835 06
Subscriptions			44 85
Auditing expenses			300 00

Trustees' fees	$250 00
Agents' balances charged off	1,406 72
Loss on sale of securities	100 00
Legal expenses	1,224 25
Total disbursements	$484,471 16
Balance (ledger assets September 30, 1912)	$587,264 66

The various items of income and disbursements present no features requiring particular explanation.

Bonds:

The securities owned by the company consist of the bonds deposited with the superintendent of insurance of this state and the bonds vested and held by the New York Trust Company, the United States Trustee of the company.

The bonds deposited with the superintendent of insurance are as follows:

Description	Interest Rate	Maturity	Book Value	Par Value	Market Value
Corp. stock:					
City of New York...	4¼	1930–60	$145,507 50	$143,000 00	$144,430 00
City of New York...	4	1959	50,250 00	50,000 00	49,000 00
Cons. stock:					
City of New York...	3½	1916	6,792 10	7,000 00	6,790 00
City of New York...	3½	1918	9,619 00	10,000 00	9,600 00
City of New York...	3½	1915	974 80	1,000 00	980 00
Totals			$213,143 40	$211,000 00	$210,800 00

The securities held by the New York Trust Company were examined and checked on October 7, 1912, and are as follows:

Description	Interest Rate	Maturity	Book Value	Par Value	Market Value
Cleveland, Ohio	4	1926	$25,500 00	$25,000 00	$25,500 00
Cincinnati, Ohio	3½	1956	20,000 00	20,000 00	19,000 00
Columbus, Ohio	4	1947	21,226 00	20,000 00	20,400 00
Los Angeles, Cal.	3¾	1932	9,600 00	10,000 00	9,200 00
Los Angeles, Cal.	3¾	1933	9,600 00	10,000 00	9,100 00
Nanaimo, B. C.	4	1950	28,165 60	34,000 00	28,220 00
New York, N. Y.	3½	1954	36,800 00	40,000 00	34,000 00
Revelstoke, B. C.	5	1927	10,000 00	10,000 00	9,900 00
Seattle, Wash.	4	1926	101,360 00	100,000 00	96,000 00
Steelton, Ont.	4½	1927	17,524 86	19,948 21	19,150 28
St. Thomas, Ont.	4½	1917	2,000 00	2,000 00	1,980 00

Description	Interest Rate	Maturity	Book Value	Par Value	Market Value
St. Thomas, Ont.....	4½	1920	$1,000 00	$1,000 00	$980 00
St. Thomas, Ont.....	4½	1921	7,000 00	7,000 00	6,860 00
Nampa, Idaho	7	1913	5,000 00	5,000 00	5,000 00
Totals			$294,776 46	$303,948 21	$285,290 28
Securities deposited with Insurance Department			213,143 40	211,000 00	210,800 00
Total of securities owned.....			$507,919 86	$514,948 21	$496,090 28

Cash in Bank:

The amounts deposited in bank were verified from the records of the company and reconciled with certificates obtained from the banking institutions.

Agents' Balances:

The amounts due the company on account of agents' balances were ascertained from the agency records and the balances over three months due have been deducted as a not admitted asset.

Unpaid Losses:

The books and papers in connection with the unpaid losses were examined and the amount reported in the foregoing financial statement represents the amount of the liability on September 30, 1912, as shown by the company's records.

Premium Reserve:

The unearned premium liability was compiled from the reserve records of the company and computed on a 50 per cent. basis. A thorough check was made of these records and the reserve reported is believed to represent the full amount of this liability.

Impairment of Capital:

As shown in the foregoing financial statement the minimum deposit capital on September 30, 1912, was impaired in the sum of $129,043.25 and the proceedings taken in connection therewith are hereinafter referred to.

REINSURANCE CONTRACTS

An inspection of the company's accounts shows that during the period the company has been operating in this state various reinsurance arrangements have been entered into with other com-

panies. The following schedule shows the principal reinsurances assumed and ceded by the company.

Reinsurance Assumed	*Date*	*Conditions*
Potomac Insurance Co., District of Columbia..	Dec. 1, 1910	Sovereign reinsures all risks written through the general agency of John A. Kelly.
Franklin Fire Ins. Co., Washington, D. C....	Dec. 22, 1910	Sovereign reinsures 40% of the liability assumed by Franklin as reinsurance of Western Reserve in certain specified states.
Queen City Fire Ins. Co., Sioux Falls, S. D.....	Jan. 27, 1911	Sovereign reinsures all risks in certain specified states.
Eastern Fire Ins. Co., Atlantic City, N. J....	March 16, 1911	Sovereign reinsures all outstanding risks with certain exceptions.
Acme Fire Ins. Co., Cedar Rapids, Iowa..	Dec. 5, 1911	Sovereign reinsures three-quarters of one year business.
Acme Fire Ins. Co., Cedar Rapids, Iowa..	April 1, 1912	Sovereign reinsures all risks in force (excepting farm and tornado risks).
Franklin Fire Ins. Co., Washington, D. C....	June 29, 1912	Sovereign reinsures one-half of all risks in force.

Reinsurance Ceded	*Date*	*Conditions*
Fireman's Fund Ins. Co., California	March 16, 1911	Fireman's reinsures all risks in state of Oregon.
Skandinavia Reins. Co., Copenhagen, Denmark.	June 1, 1911	Treaty contract — Skandinavia to receive first excess.
Globe & Rutgers Ins. Co., New York	Dec. 12, 1911	Globe & Rutgers reinsures one-half of all term risks as of Dec. 31, 1911 (excepting two states).

The various reinsurances assumed under the contracts enumerated above had for their purpose the placing of a larger premium income on the books of the company. The commissions paid for these reinsurances were comparatively high and it is apparent that the experience of the company on the business assumed under the said contracts has been generally unprofitable. It would also appear that the contract with the Globe & Rutgers Insurance Company, effected on December 12, 1911, whereby the said company reinsured one-half of all the term risks of the Sovereign as of December 31, 1911, was for the purpose of increasing the surplus

as of said date, and had not this reinsurance been effected it is probable that the capital of the company would have shown an impairment as of December 31, 1911.

The treaty contract with the Skandinavia Reinsurance Company of Denmark was cancelled by mutual consent under date of October 25, 1912. The arrangement between the two companies was that 50 per cent. of the net premiums ceded were to be deposited to the credit of the Skandinavia in the National City Bank of New York. An accounting was made between the two companies under date of November 7, 1912, and showed a balance due the Skandinavia of approximately $19,000. Said amount was deposited in the National City Bank to the credit of the Skandinavia, and though still subject to slight adjustment on account of late cancellations and subsequent information on unpaid losses, the settlement between the two companies may be considered as practically consummated.

UNDERWRITING EXPERIENCE

As previously noted in this report, the company was admitted to transact business in the state of New York in November, 1910, and in due course, pursuant to the regulations of the insurance department, filed with the superintendent of insurance a "General Financial Statement" for the year ending December 31, 1910. This statement showed a surplus to policyholders of $388,-085.96 and by charging the minimum deposit capital as a liability the assets exceeded all liabilities by $188,085.96.

The "General Financial Statement" as of September 30, 1912, set forth in the foregoing pages of this report, shows that the surplus over all liabilities is wiped out and that the minimum deposit capital is impaired in the sum of $129,043.25. It would therefore appear that during the period of one year and nine months ending September 30, 1912, the company has sustained a concurrent decrease of assets and increase of liabilities amounting to the total sum of $317,129.21.

In order to ascertain the particular reason for the extinguishment of the company's surplus, as shown by its annual statement for the year ending December 31, 1910, and the impairment of capital as evidenced by this examination, an "Underwriting and

Investment" exhibit has been compiled from the figures contained in the sworn annual statements submitted by the company for the years ending December 31, 1910 and 1911, and the quarterly statements for the first three quarters of 1912.

A synopsis of the said exhibit accounts for the heavy losses sustained by the corporation in the United States in the following manner.

Excess of assets over liabilities Dec. 31, 1910			$188,085 96
Impairment of capital, Sept. 30, 1912			129,043 25
Total loss sustained			$317,129 21
Accounted for as follows:			
Underwriting income earned		$651,196 29	
Losses incurred	$581,429 06		
Underwriting expenses	351,144 06		
Underwriting losses and expenses		932,573 12	
Loss from underwriting		$281,376 83	
Investment income earned	$41,428 65		
Investment losses and expenses	3,919 21		
Gain from investments		37,509 44	
Loss account of remittances to Home Office		73,261 82	
Total loss sustained from December 31, 1910, to September 30, 1912			$317,129 21

It will be noted from the foregoing that the underwriting income earned is $651,196.29 and the losses incurred $581,429.06 representing a loss ratio of 90 per cent.; that the underwriting expenses incurred to the premiums earned represents an expense ratio of 54 per cent. According to the statistical records of this department the average ratio of all companies for losses incurred to premiums earned for the year 1911 was 53 per cent. and the average ratio for expenses incurred to premiums earned was 39 per cent.

The remittances to home office do not entirely represent cash remittances but include certain charges for payments made by the United States branch on account of losses and expenses of the Canadian company.

TRUSTEES AND OFFICERS

The New York Trust Company, of New York, as previously noted, is the trustee for the United States branch of the company and is acting under a deed of trust dated November 4, 1910, executed for the Sovereign Fire Assurance Company of Canada by Cyrus A. Birge, the president, and H. S. Wilson, the managing director of said company.

H. S. Wilson is the United States manager and is also the managing director and second vice-president of the Canadian company.

PROCEEDINGS TAKEN IN RE IMPAIRMENT

The proceedings taken in regard to the impaired condition of this company were so largely of a legal character, conducted by yourself and departmental counsel, and as certain questions are still pending, it would appear that for the purposes of this report, a brief reference to the said proceedings will suffice.

The preliminary report on examination, showing that under the provisions of section 27 of the Insurance Law, the minimum capital deposit was extinguished, was submitted to the company in accordance with the statutory requirements, and after full consideration of the findings contained therein, the United States manager decided to reinsure the whole or a portion of the outstanding policy obligations in a company or companies authorized to transact the business of fire insurance in this state.

In order to effect this reinsurance it was found that it would be necessary to use a portion of the funds held by the United States trustee. This matter was taken up with the counsel for the trust company, who took the position that he was in doubt as to the rights and duties of his client in reference to these funds.

An action was therefore brought in the supreme court of this state, in which the trust company asked for instructions as to its duties in the premises. This action was referred to a referee to hear and determine. Several hearings were held before such referee, at which counsel appeared in order to present the views of this department upon the questions at issue.

On December 30, 1912, the referee rendered his final decision, to the effect that the Sovereign Fire Assurance Company of

Canada had terminated the trusteeship of the New York Trust Company, pursuant to the eighth paragraph of the trust agreement, and that the latter company may properly and must surrender the trust funds to the superintendent of insurance of this state, subject to the trust created by section 27 of the insurance law and the provisions of the trust agreement.

At the close of business December 31, 1912, such transfer of funds had not been made and no general reinsurance of the outstanding policy obligations of the company had been effected.

Writing of Business Discontinued

On or about October 25, 1912, this department was advised by the United States manager of the company that the directors had decided to cease writing business and retire from the United States, and on October 25, 1912, the United States manager forwarded from the office of the company in New York City telegrams to every agent in the United States, reading as follows:

"Directors have decided to retire from the United States please cease writing business from noon today and send in final account and balance."

In accordance with the foregoing messages, the writing of business in the United States was discontinued and the company at the present time is engaged in closing the accounts with its agents.

Condition as of December 31, 1912

The financial condition of the company as of December 31, 1912, has decidedly improved over the financial condition as of September 30, 1912, for the reasons hereinafter explained.

A capital statement showing the condition of the company as of December 31, 1912, under the provisions of section 27 of the Insurance Law, would appear to be as follows:

Assets

	Par Value	Market Value
Securities deposited with the Superintendent of Insurance of the State of New York	$211,000 00	$210,800 00
Securities vested in and held by trustees	303,948 21	285,290 28
Total assets in the United States		$496,090 28

Liabilities

Unpaid losses	$97,148 95
Unearned premiums	221,819 58
Accrued liabilities	15,000 00
Total liabilities	$333,968 53
Capital under section 27 of the Insurance Law	162,121 75
Total	$496,090 28

It will be understood, however, that the exact amount of certain of the liabilities in the foregoing capital statement at the date of the writing of this report cannot be definitely ascertained, and the statement may therefore be subject to modification. It is, however, believed that the foregoing statement is substantially correct.

Assets:

The only assets held by the company and permitted in the capital statement under the provisions of section 27 of the Insurance Law are the securities deposited with the superintendent of insurance of the State of New York and the securities held by the United States trustee. The securities have been carried in the foregoing capital statement at the market values of September 30, 1912, as quotations of December 31, 1912, are not as yet available.

The company, however, is in possession of other assets, such as cash in bank and office, interest due and accrued and agents' balances, which, although not allowed in the capital statement, may be considered to have a certain commercial value and a general financial statement would undoubtedly show the company in possession of a small surplus.

Losses:

The books and papers in connection with the losses have been under examination since October 7, 1912, and the amount reported in the foregoing capital statement represents the amount of this liability on December 31, 1912, as shown by the company's records.

During the months of October, November and December, 1912, the company has paid on account of losses and loss expenses the following amounts:

	Loss Payments	Loss Expenses
October, 1912	$35,102 93	$798 73
November, 1912	21,203 85	822 42
December, 1912	53,036 13	1,663 28

These payments have been made possible mainly by reason of remittances from the head office of the company in Canada. The amounts remitted from September 30, 1912, to December 31, 1912, were as follows:

Nov. 13, 1912, remittance from head office	$9,000 00
Nov. 15, 1912, remittance from head office	20,000 00
Dec. 9, 1912, remittance from head office	20,000 00
Dec. 26, 1912, remittance from head office	30,000 00
	$79,000 00

In general, it may be said that the company has used reasonable effort to adjust and pay its maturing losses and claims.

Unearned Premium Reserve:

The reserve reported in the foregoing capital statement is $221,819.58, a decrease of $126,285.32 from the reserve reported as of September 30, 1912. This decrease is accounted for by the heavy cancellations, and the expirations and earnings of the months of October, November and December, 1912, and as the one year business of the company approximates 73 per cent. of the total business in force, the earnings and expirations of the three aforesaid months have effected a heavy reduction in the unearned premium liability.

A further reduction in this liability was caused by the cancellation of the business assumed from the Franklin Fire Insurance Company, of Washington, D. C., under the reinsurance agreement dated June 29, 1912. The reinsurance contract between the two companies was cancelled under date of December 31, 1912, and the unearned portion of the premiums on the business in force amounted to approximately $24,000. This amount, less the commission thereon, was paid to the Franklin on December 31, 1912.

The reserve charged on this business in the unearned premium fund on September 30, 1912, approximated $47,000.

Accrued Liabilities:

These liabilities have undoubtedly increased over the amount reported as of September 30, 1912, and although this item is always somewhat of an estimate it is believed that the $15,000 charged is sufficient to provide for this liability.

CONCLUSION

Summarizing the foregoing report, we find the following facts:

That during the short period the company has been operating in this state, the underwriting losses and expenses have been abnormally large; that the minimum deposit capital was wiped out on September 30, 1912; that the company ceased writing business in October, 1912, and expressed the intention of retiring from the United States; that the maturing losses and expenses have been met by remittances from the head office in Canada, and that the financial condition as of December 31, 1912, has greatly improved over the financial condition as of September 30, 1912.

While the company may be considered to have practically retired from the United States, its policyholders, loss claimants and creditors still have the protection of the securities deposited with the superintendent of insurance and with the United States trustees, and the corporation is still under the supervision of this department.

SUPPLEMENTAL MEMORANDUM OF THE SUPERINTENDENT OF INSURANCE

The following memorandum is designed to show briefly the several steps taken by the Insurance Department, and by the Sovereign Fire Assurance Company of Canada, subsequent to departmental report on examination of the United States branch of the company, under date of January 2, 1913.

As set forth in such report, the company discontinued the issuance of policies through its United States branch on October 25, 1912, and all business in force in the United States was reinsured under the following contracts:

Date	Reinsuring company	Unearned premiums reinsured	Date of payment therefor
Jan. 21, 1913	Globe & Rutgers Fire Insurance Co....	$96,749 46	Jan. 21, 1913
May 2, 1913	Globe & Rutgers Fire Insurance Co....	15,731 71	May 2, 1913
May 9, 1913	Globe & Rutgers Fire Insurance Co....	58,627 70	May 9, 1913
	Total	$171,108 87	

Reference is made in the report of January 2, 1913, to an action brought in the Supreme Court in New York county to determine the duties of the company's United States trustee, The New York Trust Company. This action grew out of an application on the part of the Sovereign Fire Assurance Company to its trustee to release certain securities for the purpose of using same, or the proceeds of the sale thereof, in payment of the reinsurance of its outstanding risks. Several hearings were held before a referee, and under date of January 17, 1913, the judgment of the court was filed in the office of the clerk of the county of New York. Under such judgment it was decreed that the funds in the hands of the trustee were held primarily for the benefit of the company's policyholders in the United States, and secondarily, subject to the rights of such policyholders, for the benefit and security of other creditors of the company in the United States; and that the trustee transfer and deliver to the Superintendent of Insurance all the securities and funds of the company held by it as such trustee. In accordance with the terms of such judgment, The New York Trust Company, trustee, turned over to the Superintendent of Insurance on date of January 17, 1913, securities held by it as trustee, belonging to the company, amounting to a par value of $303,948.21, together with its check covering interest receipts on securities in the sum of $2,283.38. Thereafter at various times between January 17, 1913, and June 9, 1913, all of said funds and securities were turned over by the Superintendent of Insurance to the Sovereign Fire Assurance Company for the purpose of paying for the reinsurance of its outstanding risks and for the further purpose of paying matured or maturing policy obligations.

Through the application of the trustee funds to the payment of reinsurance and of policy claims, the company's liability on policies in force issued through its United States branch was assumed by a solvent corporation and its loss liability reduced on

date of this memorandum to the sum of thirty-one thousand four hundred thirty-nine and eleven one-hundredths dollars ($31,439.11). Under the terms of a written agreement between the home office directors of the company and this Department, all such outstanding losses and all other obligations are to be paid by the company without recourse to the statutory deposit held by the Superintendent of Insurance in trust for the company's United States policyholders. Such statutory deposit comprises securities of the par value of two hundred and eleven thousand dollars ($211,000), which will be retained by the Department pursuant to the provisions of statute.

W. T. EMMET,
Superintendent of Insurance

Insurance Department, Albany, New York, June 30, 1913.

UNION AND PHENIX ESPANOL INSURANCE COMPANY

MADRID, SPAIN

Examination of condition of the United States Branch as of February 28, 1913.

Report dated April 25, 1913.
Examiner: Isaac Fuld.
Assistant Examiner: John J. Cunningham.

Ledger Assets	
Book value of bonds	$1,053,286 46
Cash in trust company, general account	41,473 86
Cash in trust company, trustee account	5,385 37
Agents' balances representing business written subsequent to November 30, 1912	47,633 83
Agents' balances representing business written prior to December 1, 1912	1,740 64
Total ledger assets	$1,149,520 16
Non-Ledger Assets	
Interest accrued on bonds	17,012 48
Interest accrued on deposits	280 75
Gross assets	$1,166,813 39

Deduct Assets Not Admitted

Agents' balances representing business written prior to December 1, 1912	$1,740 64	
Book value of bonds over market value	20,586 46	
		$22,237 10
Total admitted assets		$1,144,486 29

Liabilities

Unpaid losses	$126,983 26
Total unearned premiums	722,118 43
Taxes due and accrued on premiums (est.)	11,200 00
Fire department tax due and accrued (est.)	2,000 00
Sundry unpaid bills	461 72
Trustee fees accrued	333 33
Total liabilities except deposit capital	$863,096 74
Deposit capital	$200,000 00
Surplus	81,389 55
Surplus to policyholders	281,389 55
Total liabilities	$1,144,486 29

CAPITAL STATEMENT

The financial condition of the United States branch of the company under the requirements of the provisions of section 27 of the Insurance Law on February 28, 1913, as ascertained by this examination was as follows:

Assets

Market value of bonds including accrued interest, held by U. S. trustee or deposited with insurance departments	$1,007,379 15
Cash in trust company, trustee account	5,385 37
Total gross assets in the United States deposited with insurance departments and trustees	$1,012,764 52

Liabilities

Unpaid losses	$126,983 26
Unearned premiums	722,118 43
Taxes due and accrued on premiums (estimated)	11,200 00
Fire department tax due and accrued (estimated)	2,000 00
Sundry unpaid bills	461 72
Trustee fees accrued	333 33
Total liabilities in the United States	$863,096 74

Capital under section 27 of the Insurance Law.....	$149,667 78
Total (being the gross assets reported above).....	$1,012,764 52
Capital required under section 27.....	$200,000 00
Capital in possession of company on February 28, 1913.....	149,667 78
Impairment	$50,332 22

The foregoing capital statement shows that the capital of the company on February 28, 1913, under the provisions of section 27 of the Insurance Law amounted to the sum of $149,667.78, which is $50,332.22 less than the minimum sum which foreign fire insurance corporations are required to have under the provisions of said section.

This impairment was made good by a deposit being made with the Bankers Trust Company of New York, the company's United States trustee, on April 22, 1913, of the following funds:

Description	Par value	Market value
Southern Ry. Co., 5% bonds, 1994.....	$40,000 00	$42,000 00
Cash	25,000 00	25,000 00
	$65,000 00	$67,000 00

The affidavits of R. H. Folsom, of Fester & Folsom, United States manager, and Guy Richards, an assistant secretary of the Bankers' Trust Company, United States trustee, covering the above mentioned deposit, are attached hereto.

HISTORY OF THE UNITED STATES BRANCH

The Union and Phenix Espanol Insurance Company of Madrid, Spain, was organized on June 5, 1864, under the laws of Spain and was on October 7, 1910, admitted to transact the business of fire insurance in this State. The United States branch confines itself entirely to the transaction of a reinsurance business. It is authorized to carry on the business of fire insurance in nineteen (19) States of the United States and has a net annual premium income of upward of $1,000,000.

STATUTORY DEPOSITS

Included in the list of securities owned as set forth in schedule "A," the company has on deposit with the insurance departments

of Ohio and New York the following bonds for the protection of its policyholders residing in the United States:

State	Description	Par value	Market value
Ohio	City of Toledo, 4%, 1940	$30,000 00	$30,900 00
	City of Cincinnati, Ohio, 4%, 1960	30,000 00	30,900 00
	City of Cleveland, Ohio, 4%, 1920	40,000 00	40,400 00
New York	City of New York, 4¼%, 1960	200,000 00	200,000 00

Satisfactory documentary evidence was obtained covering the above mentioned deposits.

To conform with the statutory requirements of various States, the company has filed with fiscal officers of such States surety bonds as follows:

State	Amount of bond
Texas	$10,000 00
North Carolina	10,000 00
Louisiana	20,000 00

REMITTANCES TO AND FROM HOME OFFICE

The following statement shows all moneys received from or remitted to the home office of the company by the United States branch from November, 1910, to February 28, 1913, the date of this examination:

Year	Received from home office	Remitted to home office
1910	$5,000 00	.....
1912	.....	$100,000 00
1913 (to February 28)	.....	5,000 00
Totals	$5,000 00	$105,000 00

UNION ASSURANCE SOCIETY

LONDON, ENGLAND

Examination as of February 13, 1913, *on release of deposit securities held by the Superintendent of Insurance.*

Report dated March 19, 1913.

Examiner: Isaac Fuld.

All obligations of the company on account of policies of insurance issued through its United States branch have been extinguished.

UNION ASSURANCE SOCIETY, LIMITED

LONDON, ENGLAND

Examination of condition of the United States branch as of January 31, 1913.

Report dated March 24, 1913.

Examiner: Isaac Fuld.

Ledger Assets		
Book value of bonds		$891,680 26
Cash in banks		43,227 83
Agents' balances representing business written subsequent to October 31, 1912		79,574 03
Agents' balances representing business written prior to November 1, 1912		3,430 50
Due for reinsurance on paid losses		15 90
Total ledger assets		$1,017,928 52
Non-Ledger Assets		
Interest accrued on bonds		8,173 75
Interest accrued on bank deposits		76 59
Aggregate assets		$1,026,178 86
Deduct Assets Not Admitted		
Agents' balances representing business written prior to November 1, 1912	$3,430 50	
Book value of bonds over market value	49,830 26	
		53,260 76
Total admitted assets		$972,918 10
Liabilities		
Unpaid losses		$29,315 07
Unearned premiums:		
On one year risks	$184,478 40	
On term risks	144,423 35	
Total unearned premiums		328,901 75
Return premiums		643 23
Reinsurance premiums		4,064 49
Sundry unpaid bills		431 95
Taxes on premiums accrued (estimated)		10,000 00
Due Canadian Bank of Commerce		1,795 43
Total liabilities except deposit capital		$375,151 92

Minimum deposit capital	$200,000 00	
Surplus	397,766 18	
Surplus to policyholders		$597,766 18
Total liabilities		$972,918 10

CAPITAL STATEMENT

The financial condition of the United States branch of the company, under the requirements of section 27 of the Insurance Law of the State of New York, on January 31, 1913, as ascertained by this examination, was as follows:

Assets

Market value of bonds held by United States trustees or deposited with the Insurance Department of this State	$841,850 00
Total gross assets in the United States deposited with Insurance Department and trustees	$841,850 00

Liabilities

Unpaid losses	$29,315 07
Unearned premiums	328,901 75
Return premiums	643 23
Reinsurance premiums	4,064 49
Taxes on premiums accrued (estimated)	10,000 00
Sundry unpaid bills	431 95
Due Canadian Bank of Commerce	1,795 43
Total liabilities in the United States	$375,151 92
Capital under section 27 of the Insurance Law	466,698 08
Total (being the gross assets reported above)	$841,850 00

URBAINE FIRE INSURANCE COMPANY

PARIS, FRANCE

Examination on admission.
Report dated February 17, 1913.
Examiner: Charles H. Gardner.

Capital Statement as of February 10, 1913

Total assets	$510,435 57
Total liabilities	86,269 31
Capital under section 27 of the Insurance Law	$424,166 26

Examination on condition of the United States branch as of February 28, 1913.

Report dated April 24, 1913.

Examiner: Charles H. Gardner.

Assets

Book value of bonds	$509,617 21	
Cash in bank	3,799 92	
Agents' balances within 90 days	789 23	
Ledger assets		$514,206 36
Deduct assets not admitted:		
Book value of bonds over market value		247 91
Total admitted assets		$513,958 45

Liabilities

Unpaid losses		$20,281 23
Unearned premiums, one year risks	$42,774 32	
Unearned premiums, term risks	32,191 08	
Total unearned premiums		74,965 40
Liabilities except deposit capital		$95,246 63
Deposit capital	$200,000 00	
Surplus, over all liabilities	218,711 82	
Surplus to policyholders		418,711 82
Total liabilities		$513,958 45

The financial condition of the United States branch of the company, on a capital statement basis, on February 28, 1913, as ascertained by this examination, was as follows:

Assets

Market value of securities on deposit with the Insurance Department of this State and those held by United States trustee	$509,369 30
Total gross assets in the United States deposited with Insurance Departments and trustees	$509,369 30

Liabilities

Unpaid losses	$20,281 23
Unearned premiums	74,965 40
Total liabilities in United States	$95,246 63
Capital under section 27 of the Insurance Law	414,122 67
Total, being the gross assets reported above	$509,369 30

The United States branch of L'Urbaine Fire Insurance Company was recently admitted to transact the business of fire insurance in this state. A capital statement submitted by the company on its application for admission was verified by this department in a report now on file and dated February 17, 1913.

The present examination was conducted on behalf of the company, and at the request of the Hon. H. L. Ekern, Commissioner of Insurance of the State of Wisconsin, on the company's application to transact business in said state.

Marine Insurance Companies

ATLANTIC MUTUAL INSURANCE COMPANY

NEW YORK, N. Y.

Examination for verification of assets as of December 31, 1912.
Report dated January 31, 1913.
Examiner: Charles H. Gardner.

The following list sets forth the admitted assets of the company on said date:

Assets.

Book value of real estate		$4,374,426 04
Book value of bonds		3,723,707 11
Book value of stocks		2,525,822 32
Cash in bank on interest		994,882 29
Certificates of deposit		900,000 00
Bills receivable (prem. notes)		1,208,069 85
Funds in hands of foreign bankers		298,641 20
Over due notes		4,283 07
Certificates of profits owned by company		2,810 00
Total ledger assets		$14,032,641 88

Non-ledger Assets.

Interest accrued on bonds	$40,804 99	
Rents due and accrued	26,696 99	
Total		67,501 98
Market value of real estate over book value		514,273 96
Market value of bonds and stocks over book value		1,293,329 81
Gross assets		$15,907,747 63

Deduct Assets Not Admitted.

Overdue notes	$4,283 07	
Certificates of profits owned by company	2,810 00	
		7,093 07
Total admitted assets		$15,900,654 56

The total admitted assets as set forth in this report agree with the company's assets as reported in its annual statement to this department December 31, 1912. The several items comprising

the ledger assets were found to be in accordance with the company's books, and such additional assets as were necessary to complete this report were verified in the usual manner.

No verification was made of the asset item, "bills receivable $1,208,069.85." For the purpose of this report, it seemed unnecessary to verify in detail such item, as a thorough examination was made by this department in 1911, regarding the method employed by the company in treating this asset.

The following extract relating to said asset item is quoted from the report on the examination above referred to:

"The company in its annual statement carries as an asset under the heading of 'Bills receivable,' premium notes and memoranda amounting to the sum of $1,134,448.70. Of such sum, $418,427.53 represents notes actually executed by the assured, the balance, $716,021.17 being comprised merely of memoranda unexecuted by the assured, but prepared by the company and assumed to represent the amount of premium necessary to cover the risks of the assured for an indefinite period of time. As insurance is taken out and the premium therefor paid, the notes and memoranda are correspondingly reduced by the amount of the cash payments.

When any insurance is effected without the premium being paid in cash, the amount thereof is recorded, and at the end of the year, the unused portion of the premium notes and memoranda is carried by the company as a liability in its unearned premiums. This liability on December 31, 1910, amounted to the sum of $152,949.67."

It will readily be seen from the above that both the premium income and the asset item are increased by the unused portion of the premium notes, but the company's surplus is not affected thereby, as the unused portion of said notes is carried as a liability. To ascertain the correct amount representing the unused portion, a complete examination of the premium note account would be necessary, but it is not believed that the result obtained therefrom would materially affect the figures as above stated.

In view of this explanation, no deduction has been made in this report representing the amount of the unused portion of the premium note from the total admitted assets, as reported by the company in its annual statement to this department December 31, 1912.

THE GENERAL MARINE INSURANCE COMPANY

Dresden, Germany

Examination on condition of the United States branch as of September 30, 1912.

Report dated November 8, 1912.

Examiner: Charles H. Gardner.

Assets.

Book value of bonds		$224,587 50
Cash in bank		116,440 86
Uncollected premiums due subsequent to July 1, 1912		15,011 36
Uncollected premiums due prior to July 1, 1912		4,102 61
Premium notes		451 01
Ledger assets		$360,593 34

Non-ledger Assets.

Accrued interest	$3,645 83	
Reinsurance due on paid losses	794 70	
		4,440 53
Gross assets		$365,033 87

Deduct Assets Not Admitted.

Uncollected premiums due prior to July 1, 1912	$4,102 61	
Premium notes overdue	451 01	
Book value of bonds over market value	12,087 50	
		16,641 12
Total admitted assets		$348,392 75

Liabilities.

Unpaid losses		$30,665 60
Unearned premiums		9,323 71
Taxes due or accrued		1,500 00
Commissions and brokerage due or accrued		1,675 44
Expense bills		100 00
Reinsurance premiums due		2,369 25
Due Sea Ins. Co. (cotton a/c)		4,964 81
Due Federal Ins. Co. (amount overpaid)		20 04
Total liabilities		$50,618 85
Deposit capital	$200,000 00	
Surplus	97,773 90	
		297,773 90
Total		$348,392 75

A previous examination of the General Marine Insurance Company was made under date of March 31, 1910. As a result of such examination the company's deposit capital in the United States of $200,000 was found to be impaired in the sum of $107,309.07. This impairment in capital was made good by the home office of the company remitting the sum of $110,000. Through a misapprehension on the part of the company's United States managers securities representing said remittance were deposited with the Insurance Department at Albany. Subsequently the company learned that in accordance with the provisions of the statute it was not necessary to make a permanent deposit with the Insurance Department to cover said impairment. The Superintendent of Insurance therefore released said securities and the company in turn agreed to increase the permanent deposit at Albany in the sum of $20,000 and to deposit the remaining $90,000 with the bankers, W. & J. Seligman and Company of New York, as a special deposit. This fund of $90,000 was to be held by said bankers in the name of said company until such time as it should appear that the company possessed an unimpaired capital of $200,000. There is on file in the Insurance Department at Albany a document containing the resolution passed by the directors of the company at the home office in Dresden, Germany, in regard to the aforementioned impairment and subsequent agreement.

The company through its bankers, W. & J. Seligman and Co., under date of August 12, 1912, made a formal request to the Superintendent of Insurance for the withdrawal of the special deposit, stating that the company had complied with the terms of the aforementioned agreement. It was, therefore, deemed advisable to make an examination of the affairs of the company, to ascertain its financial condition. The examination was made as of September 30, 1912, and as a result it was found that the company possessed a surplus of $97,773.90 as set forth in the foregoing financial statement, said surplus being in excess of the deposit capital of $200,000. The special deposit in the hands of bankers now amounts to $92,942.38 and when withdrawn will result in reducing the surplus of the company's United States branch to $4,831.52. It is evident that if the company is to continue writing

business through its United States branch, a much larger surplus should be maintained although it has materially reduced its business of late. The current writings, however, as disclosed by this examination are of such volume that a surplus of only $4,831.52 would seem to be insufficient to provide for the probable future losses and expenses.

MANNHEIM INSURANCE COMPANY, LIMITED

Mannheim, Germany

Examination on condition of the United States branch as of May 31, 1912.

Report dated September 17, 1912.

Examiner: Charles H. Gardner.

Assets.

Book value of bonds		$607,741 39
Cash in bank		31,394 35
Agents' balances on business written subsequent to March 1, 1912		214,018 76
Agents' balances on business written prior to March 1, 1912.		2,886 59
Uncollected premiums on business written subsequent to March 1, 1912		110,002 28
Uncollected premiums on business written prior to March 1, 1912		31,712 88
Bills receivable taken for marine risks		7,334 79
Total ledger assets		$1,005,091 04

Non-ledger Assets.

Interest accrued on bonds	$4,625 00	
Reinsurance due on losses paid	49,475 77	
Salvage received on losses paid prior to May 31, 1912	10,302 14	
		64,402 91
Gross assets		$1,069,493 95

Deduct Assets Not Admitted.

Agents' balances on business written prior to March 1, 1912	$2,886 59	
Uncollected premiums on business written prior to March 1, 1912	31,712 88	
Bills receivable, taken for marine risks overdue.	2,171 46	
Book value of bonds over market value	41,991 39	
		78,762 32
Total admitted assets		$990,731 63

Liabilities.

Unpaid losses	$269,027 55	
Losses due reinsurance companies	26,375 19	
Total amount of unpaid losses		$295,402 74
Unearned premiums on time risks running over a year, $18,366.20 pro rata	$11,007 60	
Unearned premiums on time risks running one year, $659,351.71 at 50%	329,675 85	
Unearned premiums on trip risks at 100%	35,433 82	
Total amount of unearned premiums		376,117 27
Expenses and bills due or accrued		1,494 28
State taxes on premiums due or accrued (estimated)		25,000 00
Commissions and brokerage unpaid		12,996 93
Reinsurance premiums unpaid		131,653 63
Return premiums unpaid		1,119 08
Total amount of all liabilities except capital		$843,783 93
Surplus to policyholders		146,947 70
Total liabilities		$990,731 63

The Mannheim Insurance Company, Limited, of Mannheim, Germany, was admitted to transact business in the State of New York, through its United States branch, on February 4, 1887. Messrs. F. Hermann & Co. are its United States managers located at 37 Wall street, New York. Associated with this company, and forming a combination operating under the same management are the Union Marine Insurance Company, Limited, of Liverpool, England, Columbia Insurance Company of Jersey City, N. J., and the Fireman's Fund Insurance Company (Atlantic Marine Department), of San Francisco, California.

The company had on deposit at the date of this examination, securities in the sum of $350,000 par value with the Insurance Department of New York State, and $100,000 par value with the Ohio Insurance Department. There are in addition to the above deposits securities representing a par value of $175,000 in the possession of its United States managers. Certificates were obtained under date of May 31, 1912, in verification of the New York and Ohio deposits. Those securities held by the management were verified by a personal count.

Impairment of Capital

The financial condition of the company as set forth in the foregoing statement shows an unsatisfactory condition of affairs. The surplus to policyholders is reported in the sum of $146,947.70, and, as $200,000 is the minimum capital required by law there is a deficiency of $53,052.30, or in effect an impairment of capital in such amount.

Examination to verify the manner in which the impairment in the capital was eliminated.

Report dated December 11, 1912.

Examiner: Charles H. Gardner.

This examination under date of November 25, 1912, disclosed the fact that the company had made good the impairment through net income accretions over and above incurred obligations, and had used a portion of such moneys in the purchase of additional securities, no funds being received from the home office for such purpose.

The records show that the cash balance held by the United States branch on October 31, 1912, was approximately $120,000, and instead of remitting a portion of said balance to the home office, securities were purchased during the month of November, representing a face value of $55,000 and a market value on November 25, 1912, including accrued interest, of $54,310.76 as shown by the following:

Securities purchased	Par value	Market value
Chicago, Burlington & Quincy 4s, 1922	$25,000 00	$24,750 00
Northern Pacific & Great Northern Joint Bonds C. B. Q. Collateral 4s, 1921	30,000 00	28,800 00
Market value		$53,550 00
Accrued interest		760 76
Total		$54,310 76

NORTH CHINA INSURANCE COMPANY, LIMITED — UNITED STATES BRANCH

SHANGHAI, CHINA

Application for admission to transact the business of marine insurance.

Financial condition as of October 31, 1912.

Report dated November 11, 1912.

Examiner: Charles H. Gardner.

Assets.

Book value of bonds		$220,000 00
Cash in office (San Francisco)		2,045 46
Agents' balances representing business written subsequent to July 1, 1912		4,091 98
Total ledger assets		$226,137 44

Liabilities.

Unpaid losses	$4,442 68	
Unearned premiums	3,900 51	
Commissions and brokerage due	182 11	
Reinsurance premiums due	60 00	
Total liabilities		$8,585 30
Deposit capital	$200,000 00	
Surplus	17,552 14	
Surplus to policyholders		217,552 14
Total liabilities		$226,137 44

The figures entering into the financial statement as set forth above, with the exception of the company's statutory deposit of $220,000, represent the transactions of the company incident to its writings on the Pacific coast. Messrs. Wilcox, Peck and Hughes, of New York are the United States managers, and in submitting the financial statement, said managers depended entirely on a sworn statement furnished by Balfour, Guthrie and Company, the company's agents for the states of California and Washington.

On October 31, 1912, the company had on deposit with the Insurance Department of this State securities of a face value of $220,000 consisting of corporate stock of the city of New York held by the superintendent of insurance in trust for the policyholders of the company in the United States.

UNION MARINE INSURANCE COMPANY, LIMITED

Liverpool, England

Examination on condition of the United States branch as of May 31, 1912.

Report dated September 17, 1912

Examiner: Charles H. Gardner.

Assets.

Book value of bonds		$571,956 97
Cash on deposit with Treasurer of Commonwealth of Massachusetts trust funds		445 35
Cash in banks		34,422 56
Cash in banks, San Francisco Department		5,398 45
Agents' balances on business written subsequent to March 1, 1912		102,712 19
Agents' balances on business written subsequent to March 1, 1912 — San Francisco Department		622 33
Agents' balances on business written prior to March 1, 1912		6,419 86
Agents' balances on business written prior to March 1, 1912 — San Francisco Department		1,080 00
Uncollected premiums on business written subsequent to March 1, 1912		104,890 46
Uncollected premiums on business written prior to March 1, 1912		41,543 79
Bills receivable taken for marine risks		2,280 15
Total ledger assets		$871,772 11

Non-ledger Assets.

Interest accrued on bonds	$4,676 46	
Reinsurance due on losses paid	26,092 91	
Return premiums due from reinsurance companies	144 32	
Salvage received on losses paid prior to May 31, 1912	9,633 11	
		40,546 80
Gross assets		$912,318 91

Deduct Assets Not Admitted.

Agents' balances on business written prior to March 1, 1912	$6,419 86	
Agents' balances on business written prior to March 1, 1912 — San Francisco Department	1,080 00	

Uncollected premiums on business written prior to March 1, 1912	$41,543 79	
Bills receivable, taken for marine risks overdue	435 15	
Book value of bonds over market value	24,791 97	
		$74,270 77
Total admitted assets		$838,048 14

Liabilities.

Unpaid losses		$187,501 39
Unpaid losses — San Francisco Department		28,706 97
Losses due reinsurance companies		26,736 08
Total unpaid losses		$242,944 44
Unearned premiums on risks of more than one year, $1,560.08 pro rata	$555 42	
Unearned premiums on risks of one year, $265,294.32 at 50%	132,647 16	
Unearned premiums on risks of one year, San Francisco Department, $21,414.99 at 50%	10,707 50	
Unearned premiums on trip risks at 100%	27,955 62	
Unearned premiums on trip risks at 100% — San Francisco Department	2,191 17	
Total unearned premiums		174,056 87
Expenses and bills due or accrued		1,307 49
State taxes on premiums due or accrued (estimated)		20,000 00
Commissions and brokerage due		8,477 34
Commissions and brokerage due — San Francisco Department		165 55
Reinsurance premiums unpaid		125,088 29
Return premiums unpaid		4,513 39
Total amount of all liabilities except capital		$576,553 37
Deposit capital	$200,000 00	
Surplus over all liabilities	61,494 77	
Surplus as regards policyholders		261,494,77
Total liabilities		$838,048 14

The Union Marine Insurance Company, Limited, of Liverpool, England, was admitted to transact business in the State of New York through its United States branch on October 14, 1880. At the same time the company entered the State of Massachusetts. In compliance with the laws of said state, trustees were duly

appointed, and a deed of trust is on file with the Insurance Commissioner of Massachusetts. Messrs. George F. Crane and T. Suffern Tailer of the city of New York are the present trustees under the provisions of said trust deed.

Messrs. Jones & Whitlock were the United States managers until July 1, 1904, and Franz Hermann from said date until July 1, 1910, when the management was transferred to the present firm of F. Hermann & Co., located at 37 Wall street, New York.

Associated with this company and forming a combination operating under the same management are the Mannheim Insurance Company, Limited, of Mannheim, Germany, Columbia Insurance Company of Jersey City, N. J., and the Firemen's Fund Insurance Company (Atlantic Marine Department) of San Francisco, California.

The Union Marine Insurance Company, Limited, through stock ownership controls the Columbia Insurance Company of Jersey City, N. J. Mr. George F. Crane, one of the United States trustees of the Union is also president of the Columbia Insurance Company.

The net result of this examination in so far as the financial statement is concerned, shows the company possessed of a surplus above its capital requirements in the sum of $61,494.77.

The company maintains a separate department at San Francisco, Cal., reporting its transactions direct to the home office at Liverpool, England. Statements showing the financial condition of this department are submitted to its United States branch managers, who in turn include the figures in their annual statements to this department. For the purpose of this examination a sworn statement was obtained from the manager of the San Francisco Department, showing the financial condition of said department on May 31, 1912. The figures thus obtained have been entered in detail in the financial statement as above set forth.

The Union Marine Insurance Company, Limited, of Liverpool, England, had on deposit inthe United States at the date of this examination securities in the sum of $575,500 par value. Of this amount $217,000 was deposited with the New York State Insurance Department, $100,000 with the Ohio Insurance Department and $100,000 with the Treasury Department of the State of Massa-

chusetts. There is also a deposit in cash in the sum of $445.35 with the Massachusetts Department. These deposits are held for the security of all policyholders in the United States. Included in the above mentioned total deposits, securities in the sum of $10,000 par value are held by the Insurance Department of the State of Georgia in trust solely for the benefit of the policyholders in said State. The remaining $148,500 is held by the United States trustees. Certificates were obtained from the various State Departments under date of May 31, 1912, in verification of the above mentioned deposits. Those securities held by the United States trustees were verified by a personal count.

Co-operative Fire Insurance Corporations

THE BROOME COUNTY FARMERS' FIRE RELIEF ASSOCIATION

NINEVEH, N. Y.

Examination on condition as of August 1, 1912.
Report dated August 13, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in December, 1886, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Broome, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the corporation on August 1, 1912, were as follows:

Assets

Cash in hands of secretary	$50 38
Total assets	$50 38

Liabilities

Unpaid losses	$18 00
Due treasurer	439 52
Fees of directors and officers	300 00
Total liabilities	$757 52

Method of Business

Policies are issued by the secretary for the term of three years. The company insures farm property, schoolhouses and creameries. No classification is made, each policyholder paying the same rate of assessment.

The company has 30 directors, whose duty it is to take applications, inspect risks, collect premiums and assessments, and adjust losses. For taking applications, the director receives $1 per application.

Small losses are adjusted by the local director, but in case of large losses he is assisted by the officers and some directors.

Money is paid out by the treasurer by check.

The secretary states that the largest amount insured in any one risk is $7,000.

The executive committee audits accounts of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually in October. The amount of the assessment is usually based on the amount of losses which have been sustained but is estimated to pay future losses until about January 1st following. Assessments are paid to the local director and by him transmitted to the secretary. New members are assessed only their pro rata share of losses which occur while they are policyholders.

Insurance in Force

On December 31, 1911, there were 1,076 policies and $1,870,910 of insurance in force.

Advance Payment.

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of five cents on each $100 of insurance.

Bonds

The treasurer has given a personal bond in the sum of $3,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — S. A. Holcomb, Tunnel, N. Y.
Vice-President — N. D. Burrows, Deposit, N. Y.
Secretary —A. Bryce, McClure Settlement, N. Y.
Assistant-Secretary —V. N. Cass, R. D. 1, Nineveh, N. Y.
Treasurer — C. A. Wheaton, Deposit, N. Y., $10 per annum.

In lieu of a salary the officers receive $2 per day while employed by the company.

The executive committee is composed of three directors.

The principal office of the corporation is at the home of the assistant secretary at Vallonia Springs, N. Y.

THE BRUNSWICK INSURANCE COMPANY

Clum's Corners, N. Y.

Examination on condition as of October 10, 1912.
Report dated October 24, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in June, 1858, as a co-operative fire insurance corporation. Its certificate of incorporation sets forth its intention to transact business in the town of Brunswick, county of Rensselaer. In January, 1911, the company filed a certificate setting forth its intention to extend its territory to all the towns of Rensselaer county.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above. No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 10, 1912, were as follows:

Assets

Cash in hands of secretary	$92 93
Cash in bank	355 39
Total assets	$448 32

Liabilities

Unpaid losses	$2,793 25
Total liabilities	$2,793 25

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, dwellings, churches, mercantile and manufacturing risks. Property is divided into three classes. The first class includes buildings over seventy feet from other buildings, the second class includes property over forty but less than seventy feet from other buildings, and the third class includes all mercantile and manufacturing risks. To pay losses on property in the first class all property is assessed at the same rate, but to pay losses on property in the second or third classes, first class property is assessed at a flat rate, second class property one and one-half times the first, and third class property twice the first.

The company employs an agent, whose duty it is to take applications, inspect risks and collect premiums. For taking applications, the agent receives $1 per application.

All applications are passed on by a committee consisting of the president, the secretary and one director.

Losses are adjusted by the board of directors or by the examining committee.

Money is paid out by check signed by the treasurer.

The secretary states that the company has insured $8,200 on real estate and $3,999 on personal property that could be classed as one hazard.

The president appoints a committee which audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses.

The amount of the assessment is based on the amount of losses which have been sustained, but sometimes a small surplus is raised, and sometimes a small deficit results. Assessments are paid to the treasurer. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership.

Insurance in Force

On December 31, 1911, there were 292 policies and $554,897 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on all policies. In addition to this amount it charges a percentage of ten cents on each $100 of insurance.

Bonds

The treasurer has given a personal bond in the sum of $2,500.

Officers

The officers of the company and salaries, if any, are as follows:

President, James B. Cottrell, Eagle Mills, N. Y.
Vice-President, F. C. Collison, R. D. 3, Troy, N. Y.
Secretary, H. H. Lohnes, R. D. 5, Troy, N. Y.
Treasurer, I. W. Abbott, R. D. 1, Troy, N. Y.

In lieu of a salary the secretary receives fifty cents for each policy issued, $10 for making out assessments and $10 for making annual statement.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary at Clum's Corners, N. Y.

CANAAN MUTUAL FIRE INSURANCE COMPANY

EAST CHATHAM, N. Y.

Examination on condition as of July 25, 1912.
Report dated August 10, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in 1870, as a voluntary co-operative fire insurance company. In March, 1889, it appears to have been incorporated. Its certificate of incorporation sets forth its intention to transact business in the town of Canaan in Columbia county, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on July 25, 1912, were as follows:

Assets

Cash in hands of secretary	$25 68
Total assets	$25 68

Liabilities

None

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification is made, each policyholder paying the same rate of assessment.

The duties of the secretary include taking applications, inspecting risks and collecting premiums and assessments.

Losses are adjusted by two appraisers who are appointed from among the members of the company.

Money is paid out by check.

The secretary states that the largest amount insured in any one risk is $3,000.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, minutes of the meetings of the board of directors and all applications.

In addition I would recommend that he keep a cash account which will show all sums received by the company and all sums paid out.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained and is sometimes estimated to raise a small surplus for expenses. Assessments are paid to the secretary or to collectors appointed for that purpose. New members are assessed for only their proportion of losses which occur during the period of their membership.

Insurance in Force

On December 31, 1911, there were fifty policies and $66,210 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 10 cents on each $100 of insurance.

Bonds

No officer of the company is bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President: Esek Finch, Canaan, N. Y.
Secretary-Treasurer: Henry D. Frisbie, East Chatham, N. Y.

In lieu of a salary the secretary receives $2 for each application taken and 2 per cent. of sums received.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary at East Chatham, N. Y.

CENTRAL CITY CO-OPERATIVE FIRE INSURANCE COMPANY OF ONONDAGA COUNTY

SYRACUSE, N. Y.

Examination on condition as of September 10, 1912.
Report dated October 23, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1900, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the counties of Onondaga and Cayuga, and in July, 1902, its territory was extended to include also the county of Madison.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an assessment co-operative fire insurance association in the three counties named above.

The only previous examination of the company was made by this Department in October, 1909.

The assets and liabilities of the company on September 10, 1912, were as follows:

Assets

Cash in office	$127 01
Cash in bank	307 84
Agents' balances (net)	130 00
Total assets	$564 85

Liabilities

Owe secretary fees	$97 76
Total liabilities	$97 76

Method of Business

Policies are issued by the secretary for the term of three years. The company insures residences and barns. Risks are divided into three classes according to hazard.

The company employs agents whose duty it is to take applications, inspect risks, collect premiums and assessments and assist

in adjustment of losses. For taking applications, the director receives 14 cents per $100 of insurance on new policies and 11½ cents per $100 of insurance on renewals.

Small losses are adjusted by the local agent, but in case of large losses he is assisted by the secretary.

Money is paid out by check signed by the secretary and the president.

The secretary states that the largest amount insured in any one risk is $2,200.

The accounts of the company are not audited by the directors or the policyholders.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors, and all applications. The minutes of the meetings of the members and of the board of directors are kept on loose leaves, however, and pinned in a book. I would recommend that the minutes be kept in permanent form. The minutes for 1912 do not appear in the records of the company and no minutes of the meetings of the executive committee were kept at all as required by the by-laws.

Assessments

Assessments are usually levied only when necessary to pay losses. The company has levied only one assessment since organization.

The amount of the assessment is based on the amount of premiums paid by each policyholder.

Insurance in Force

On December 31, 1911, there were 684 policies and $1,036,612 of insurance in force.

Advance Payment

The company charges in advance a graduated policy fee ranging from 25 cents to $1.05 according to the amount of the policy. In addition to this amount it charges a percentage of 24 cents to 30 cents for each $100 of insurance.

Bonds

The secretary has given bond in the sum of $1,000 with individual surety.

Officers

The officers of the company and salaries, if any, are as follows:

President — M. C. Darrow, Solvay, N. Y.
Vice-President — F. E. Gilbert, Weedsport, N. Y.
Secretary-Treasurer — I. J. Chapman, Syracuse, N. Y.

In lieu of a salary the secretary receives 45 cents on each $1,000 of insurance written.

The executive committee is composed of the president, the secretary and the attorney.

The principal office of the corporation is at the business office of the secretary at Syracuse, N. Y.

CHENANGO COUNTY PATRONS' FIRE RELIEF ASSOCIATION

NORWICH, N. Y.

Examination on condition as of August 1, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in October, 1884, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Chenango. In May, 1901, its territory was further extended to include the counties of Broome, Cortland, Madison and Otsego.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the five counties named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on August 1, 1912, were as follows:

Assets

Cash in bank	$4,941 50
Unpaid assessments	2,879 46
Total assets	$7,820 96

Liabilities

Unpaid losses	$30 00
Borrowed money and accrued interest thereon	7,327 45
Rent and printing	37 00
Total liabilities	$7,394 45

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and village dwellings. Risks are divided into two classes. The first class consists of property occupied by owners and the second consists of property occupied by tenants. Both classes are assessed at the same rate but the first class is charged a percentage of 40 cents per $100 and the second class of 60 cents per $100.

The company has twenty-one directors and two agents, whose duty it is to take applications, inspect risks and collect premiums. For taking applications, the director or agent receives $1 per application and 8 cents per mile traveled.

Small losses are adjusted by the local director but in case of large losses he is assisted by an officer of the company.

Money is paid out by the treasurer who signs all checks.

The secretary states that the largest amount insured in any one risk is $7,000.

The executive committee audits the accounts of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied in June. The amount of the assessment is usually based on the amount of losses which have

been sustained, but is estimated to pay from six to twelve months' future losses. Assessments are paid directly to the secretary. New members are assessed only for their pro rata share of losses and expenses incurred during their membership.

Insurance in Force

On December 31, 1911, there were 3,109 policies and $5,971,535 of insurance in force.

Advance Payment

On new policies the company charges in advance a percentage of 40 cents per $100 of insurance on property in the first class and 60 cents per $100 of insurance on property in the second class. This latter charge is in excess of the limitation prescribed in that portion of section 266 of the Insurance Law which provides:

"Every such corporation may collect at the time of the issue of a policy such survey, policy and membership fees, or any of them, not to exceed the sum of two dollars for all of such fees, and such percentage of the amount insured, not to exceed one-tenth of one per centum of the amount insured for each year of the term of insurance, as the by-laws may provide."

On renewals it charges a fee of $2 on all policies and on property in the second class an additional percentage of 20 cents per $100 of insurance.

Bonds

The treasurer has given a personal bond in the sum of $6,000 and a surety insurance bond in the sum of $3,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — J. S. Shattuck, Norwich, N. Y.
Vice-President — Frank S. Clark, Guilford, N. Y.
Secretary-Treasurer — Charles H. Stanton, Norwich, N. Y., $300 per annum and fees.

In lieu of a salary the president receives $3 a day and the vice-president $2 a day for work performed. The secretary receives $300 per year salary as treasurer, 50 cents per policy written and recorded and $2 per day for time spent in the service of the company.

The executive committee is composed of the president, the secretary and three directors.

The principal office of the corporation is at Norwich, N. Y.

THE CLAVERACK TOWN FIRE INSURANCE COMPANY

Claverack, N. Y.

Examination on condition as of July 25, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in July, 1857, as a co-operative fire insurance company. In April, 1897, it was reorganized as a corporation. Its certificate of incorporation sets forth its intention to transact business in the town of Claverack in Columbia county.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

On January 22, 1912, it filed a certificate of intention to extend its territory into the towns of Ghent, Greenport and Livingston, all in Columbia county.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on July 25, 1912, were as follows:

Assets

Cash in hands of secretary	$150 00
Total assets	$150 00

Liabilities

Unpaid losses (estimated)	$180 00
Total liabilities	$180 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, churches, stores, hotels and shops. Risks are divided into three classes. The first includes dwellings and outbuildings situated 75 feet from other buildings; the second class includes dwellings and outbuildings more than 35 feet but less than 75 feet from other buildings; and the third class includes stores, hotels, school buildings, shops and contents. The first class is assessed a flat rate, the second class 1¼ times the first class, and the third class 1½ times the first class.

Applications are taken by the president and secretary, whose duty it is also to inspect risks, collect premiums and assessments and assist in adjusting losses.

Large losses are adjusted by the whole board of directors, but in case of small losses the president and secretary act.

Money is paid out by the secretary on his personal check.

The president and secretary state that the largest amount insured in any one risk is $5,000.

The board of directors audit the accounts of the company at the annual meetings.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained but is also estimated to raise a small surplus. Assessments are paid to the president or to the secretary. New members are charged only for their portion of losses which occur while they are members of the company. A penalty of 5 per cent. of the amount of the assessment is charged delinquents after 90 days.

Insurance in Force

On December 31, 1911, there were 489 policies and $849,176 of insurance in force.

Advance Payment

The company charges in advance a percentage of $1 per $1,000 of insurance for the first thousand dollars and 75 cents per $1,000 on each additional thousand.

Bonds

No officers of the company are bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — B. S. Mesick, Claverack, N. Y.
Secretary-Treasurer — Myron Hess, R. D. 1, Hudson, N. Y.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Claverack, N. Y.

THE COEYMANS MUTUAL INSURANCE COMPANY

Ravena, N. Y.

Examination on condition as of June 14, 1912.
Report dated June 17, 1912.
Examiner: J. H Middleton.

This company appears to have been organized in 1859 as a co-operative fire insurance association. Its territory was confined to the town of Coeymans in Albany county and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a town assessment corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on June 14, 1912, were as follows:

Assets

Unpaid assessments	$6 30
Cash in hands of secretary	168 66
Total assets	$174 96

Liabilities

None.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, churches and schoolhouses. Risks are divided into two classes. The first class comprises farm property which is situated more than 80 feet from any other building and the second class includes farm property situated less than 80 feet from any other building, also churches, schools and contents. On property in the first class a bond of 2 per cent. of the amount insured is taken and on property in the second class a bond for 3 per cent. of the amount insured. Assessments are figured at a certain percentage of the amount of the bond.

The secretary takes the application and makes the survey for which he receives $1.12½ per policy.

Losses are adjusted by a committee of from three to five members who are appointed for that purpose by the president. The findings of this committee are passed on by the board of directors.

Loss and other payments are made in cash by the secretary.

The secretary states that the largest amount insured in any one risk is $3,000.

The accounts of the company are audited annually by the executive committee.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors and executive committee and all applications.

Assessments

Assessments are levied only when necessary to pay losses and expenses. The sum collected by each assessment is estimated to yield a slight surplus to meet the current expenses of the company. New members are assessed for only that portion of the losses incurred since they were members. No penalty for delinquency in payment of assessments is exacted.

Advance Payment

The company charges in advance a policy fee of $1.50 but no percentage.

Bonds

The secretary states that he has given a personal bond in the sum of $5,000 signed by two sureties.

Officers

The officers of the company are as follows:

President — Stephen Tompkins, R. D., Ravena, N. Y.
Vice-President — Silas W. Blodgett, R. D., Ravena, N. Y.
Secretary-Treasurer — U. M. Montross, Ravena, N. Y.

No officer receives any compensation except the secretary who receives $1.12½ for each policy issued and 2 per cent. for collecting assessments.

The executive committee consists of the president, the vice-president and one director.

The principal office of the company is at the business office of the secretary in Ravena, N. Y.

CO-OPERATIVE FIRE INSURANCE COMPANY OF SULLIVAN AND ADJOINING COUNTIES

Centerville Station, N. Y.

Examination on organization as of January 22, 1913.
Report dated January 22, 1913.
Examiner: J. H Middleton.

A declaration has been submitted to the Department by the required number of persons, which states that they intend to form a county co-operative fire insurance company to conduct business on the assessment plan, and the Attorney-General has approved such declaration. The president and secretary of the above named company have submitted the statement provided for in section 263 of the Insurance Law. This statement recites that applications for insurance, amounting to $228,060, have been made, in good faith, on property located in the county of Sullivan, and applications for insurance, amounting to $66,990, have been made, in good faith, on property situated in the county of Ulster.

I have examined these applications for insurance and find that the names, addresses and amounts of insurance applied for, as enumerated in the above mentioned statement, are correct, and that the amount of insurance applied for is sufficient to meet the requirements of sections 262 and 263 of the Insurance Law.

THE CO-OPERATIVE FIRE INSURANCE COMPANY OF WYOMING AND GENESEE COUNTIES

DARIEN, N. Y.

Examination on condition as of September 7, 1912.
Report dated September 19, 1912.
Examiner: J. H Middleton.

This company appears to have been organized in February, 1892, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the counties of Genesee and Wyoming. In April, 1900, its territory was extended to include also the counties of Erie, Niagara and Orleans.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

The only previous examination of the company was made by this Department in October, 1909.

The assets and liabilities of the company on September 7, 1912, were as follows:

Assets

Cash in hands of secretary	$27 46
Cash in bank	21 02
Unpaid premiums (net)	257 53
Total assets	$306 01

Liabilities

Unpaid losses	$2,300 00
Borrowed money	4,310 00
Total liabilities	$6,610 00

Method of Business

Policies are issued by the secretary for the term of three years. The company insures farm property and contents, live stock, churches, schoolhouses and detached village property. Property is divided into a number of classes and is assessed according to the amount insured and to the rating of each particular class.

The company has directors, and also employs agents whose duty it is to take applications, inspect risks and collect premiums. For taking applications, the directors or agents receive 50 per cent. of the advance payment.

Losses are usually adjusted by the president and secretary although the president has power to appoint a committee to adjust losses.

Money is paid out by check signed by the secretary.

The secretary states that the largest amount insured in any one risk is $5,000.

The executive committee audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually in September.

The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to raise also a small surplus. Assessments are paid to the local director or to the local bank and then transmitted to the secretary.

New members are assessed for only their pro rata share of losses and expenses incurred during their periol of membership. A penalty of 5 per cent. is charged for delinquency in payment of assessments.

Insurance in Force

On December 31, 1911, there were 1,232 policies and $1,796,800 of insurance in force.

Advance Payment

The company charges in advance 30 per cent. of the initial rating which in some cases is in excess of 30 cents per $100 of insurance.

Bonds

The secretary states that he has given a personal bond in the sum of $5,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — R. C. Curtiss, Alexander, N. Y.
Vice-President — H. K. Smith, Linden, N. Y.
Secretary-Treasurer — F. M. Rogers, Darien, N. Y.

The executive committee is composed of the vice-president and two directors.

The principal office of the corporation is at the residence of the secretary at Darien, N. Y., although the company maintains an office at Attica, N. Y.

THE DWELLING INSURANCE ASSOCIATION OF CENTRAL NEW YORK

UTICA, N. Y.

Examination on condition as of July 29, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in September, 1895, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the counties of Oneida, Lewis, Madison, Herkimer and Otsego, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advance premium co-operative fire insurance corporation in the five counties named above.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on July 29, 1912, were as follows:

Assets

Cash in office	$238 00
Cash in bank not at interest	371 13
Cash in bank at interest	1,255 10
Total assets	$1,864 23

Liabilities

Unpaid losses (unadjusted)	$78 33
Unearned premiums	1,736 61
Salaries accrued	133 33
Miscellaneous bills	45 41
Total liabilities	$1,993 68

Assets

The assets of the corporation consist of cash in office amounting to $238, cash in bank not at interest $371.13 and cash in bank at interest $1,255.10

Liabilities

The principal liability of the company is on account of unearned premiums, which amounts to $1,736.61. There are also accrued salaries unpaid amounting to $133.33 and small unpaid bills of $45.41 and an unpaid loss which has been adjusted at $78.33. The unearned premium has been computed in accordance with section 267 of the Insurance Law as follows:

Year written	Term	Total premiums	Unearned fraction	premium
Aug. '11–July '12	1 yr	$2,136 02	½	$1,068 01
Aug. '09–July '10	3 yr	7 35	1/6	1 22
Aug. '10–July '11	3 yr	3 60	3/6	1 80
Aug. '11–July '12	3 yr	498 62	5/6	415 50
Aug. '07–July '08	5 yr	606 16	1/10	60 62
Aug. '08–July '09	5 yr	624 61	3/10	187 38
Aug. '09–July '10	5 yr	433 83	1/2	216 91
Aug. '10–July '11	5 yr	203 71	7/10	142 60
Aug. '11–July '12	5 yr	85 25	9/10	76 72
Total				$2,170 76
80 per cent thereof				1,736 61

Expense of Management

In 1911 the total ratio of expense of management to premium income was 27.5 per cent. Excluding from the expense of management expenses "incurred in the inspection of risks and adjustment of losses and legal expenses connected therewith" the expense of management was 23.6 per cent. of the premium income.

Conflagration Hazard

The secretary states that the company has not exceeded the conflagration limitation of section 267 of the Insurance Law in any respect.

Insurance in Force

On December 31, 1911, there were 362 policies and $479,655 of insurance in force.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the members and of the board of directors and executive committee, and all applications.

Bonds

No officers of the company are bonded.

Management

All policies are issued by the secretary who in connection with the executive committee passes on all risks. The company employs no agents. The secretary solicits all risks and makes all inspections and adjusts practically all losses.

The company does not aim to accumulate a large surplus but returns annually a portion of the premium to policyholders in the class which shows a profit on the business. Practically all dividends returned have been on mercantile property.

Money is paid out by the treasurer on the order of the executive committee.

Officers

The officers of the company and salaries, if any, are as follows:

President — W. H. Fowler, Jr., Oriskany Falls, N. Y., $10 per annum.
Vice-President — J. Rand Pelton, Ilion, N. Y., nothing.
Secretary and Manager — Giles A. Geer, Utica, N. Y., $400 per annum.
Treasurer — Paul H. Wagner, New York Mills, N. Y., $30 per annum.

The principal office of the company is located at the residence of the secretary in Utica, N. Y.

EASTON MUTUAL FIRE INSURANCE COMPANY

North Easton, N. Y.

Examination on condition as of August 28, 1912.
Report dated August 30, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in April, 1858, as a voluntary co-operative fire insurance company. In 1893 it appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the town of Easton, county of Washington, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on August 28, 1912, were as follows:

Assets

Unpaid assessments	$63 06
Total assets	$63 06

Liabilities

Unpaid losses	$22 60
Borrowed money	550 00
Officers' fees due	12 00
Total liabilities	$584 60

Method of Business

Policies are issued by the secretary for the term of 5 years. The company insures farm property, detached village dwellings, schoolhouses, church, creameries, blacksmith shops, grist mills and saw mills. Risks are divided, first, into three classes according to condition of structure. The first class includes new dwellings and barns with slate or metal roof. The second class includes dwellings and barns, not new but in good repair, with shingle roofs. The third class includes buildings, more hazardous and in poor con-

dition. The second class is charged a flat rate of assessment, the first class 7/8 as much and the third class from 1 1/8 to 3 times as much, the rate depending on the distance from other buildings. The company assesses at 13 different rates.

The company employs a general agent, whose duty it is to take applications and inspect risks. For taking applications and making the survey he receives $1 per application.

Losses are adjusted by a committee of directors who are appointed by the president.

Money is paid out by check signed by the secretary.

The secretary states that the largest amount insured in any one risk is $5,000.

The board of directors audit the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses.

The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to create a small surplus for expenses. Assessments are paid to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. The company charges no fee for delinquency in payment of assessments.

Insurance in Force

On December 31, 1911, there were 506 policies and $879,179 of insurance in force.

Advance Payment

The company charges in advance a membership fee of $2 on all policies but no percentage.

Bonds

No officer of the company is bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — Albert Slocum, R. D. 4, Greenwich, N. Y.
Vice-President — John Egerton, Greenwich, N. Y.
Secretary-Treasurer — L. G. Snell, R. D. 4, Greenwich, N. Y.

In lieu of a salary the secretary receives 25 cents per policy written, $15 for making an assessment and 2 per cent. for collecting assessments.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary at North Easton, N. Y.

EMPIRE CO-OPERATIVE FIRE INSURANCE COMPANY

Middleburgh, N. Y.

Examination on condition as of December 1, 1912.
Report dated January 16, 1913.
Examiner: J. H. Middleton.

This company appears to have been organized in March, 1894, as a co-operative fire insurance corporation. Its certificate of incorporation sets forth its intention to transact business in the counties of Schoharie, Otsego and Albany. On April 18, 1896, its business was further extended into the counties of Montgomery and Chenango. In October, 1910, the name of the company was changed by due process of law from "The Mutual Fire Insurance Association of Schoharie, Otsego and Albany Counties" to its present title.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an advance premium co-operative fire insurance corporation in the five counties named above.

On February 6, 1911, the corporation filed a certificate of intention to extend its business into all counties of the State outside the counties comprised in the city of New York.

The only previous examination of the company was made by an examiner of this Department in October, 1909.

The assets and liabilities of the company on December 1, 1912, were as follows:

Assets

Ledger Assets

Book value of mortgages		$36,213 50
Cash in bank, at interest		8,162 06
Cash in bank, not at interest		2,668 44
Corporation notes		832 56
Loan on personal security		438 00
Agents' balances less than 3 months due		4,207 38
Agents' balances over 3 months due		3,737 10
Total ledger assets		$56,259 04

Non-Ledger Assets

Interest due and accrued on mortgages	$1,531 67	
Interest accrued on cash in bank	285 67	
Interest accrued on corporation notes	67 82	
Total non-ledger assets		1,885 16
Gross assets		$58,144 20

Deduct Assets Not Admitted

Loan on personal security	$438 00	
Mortgage loans not first liens	100 00	
Agents' balances over 3 months due	3,737 10	
Total		4,275 10
Net assets		$53,869 10

Liabilities

Losses, unadjusted (estimated)	$850 00
Unearned premiums	17,997 65
Salaries accrued	166 67
Printing	99 50
Clerk hire	200 00
Traveling expenses	69 00
Total liabilities	$19,382 82

Assets

The principal asset of the corporation is the sum of $36,213.50 which has been loaned on bond and mortgage. Three of the mortgages amounting to $1,100 are second mortgages, but in two cases the company holds the first mortgage as well. These two mortgages amount to $1,000. The other second mortgage, amounting to $100, I have deducted as an asset not admitted.

One of the mortgage loans, amounting to $1,600, was made to a director of the company. Since this loan was made prior to the passage of chapter 328 of the Laws of 1910, it has been allowed as an asset.

The records in connection with the mortgages are incomplete. There is no evidence on file in any case that the mortgagor's title to the property is good, except that in a single instance there is partial evidence in the form of an abstract of title. In only a few cases does the company hold insurance policies on the property mortgaged, although the president states that in all cases in which there is no policy on file the company has insured the property.

In lieu of an appraisal, I have accepted as evidence of value an affidavit which is attached hereto, made by the executive committee, which sets forth that each of the persons composing such committee is familiar with each parcel of real estate mortgaged to the company and that he knows the value thereof and that the value set forth in such affidavit is the true value of the property.

The company has on deposit in bank the sum of $10,830.50, of which $8,162.06 draws interest. There is also due from agents the sum of $7,944.48, of which $3,737.10 is represented by policies written more than three months prior to the date of examination. The latter sum is composed of a number of small balances, the majority of which are for policies written four months prior to the date of examination.

In addition the corporation has loaned the sum of $832.56 on corporation notes given by the Middleburgh Telephone Company and the Middleburgh Creamery Company, and $438 on personal security. The latter sum has been deducted as an asset not admitted, in accordance with the provisions of section 16 of the Insurance Law. As evidence of the solvency of the corporations named, the company has filed an affidavit made by the cashier of the First National Bank of Middleburgh, which sets forth that he knows the financial condition of the corporations and that they are solvent.

There is also credited to the company as a non-ledger asset the sum of $1,885.16 interest due and accrued on securities held by them.

Liabilities

The only liability on account of fire loss appears to be an unadjusted loss estimated to amount to $850. The company also owns miscellaneous bills and accounts amounting to $535.17. The principal liability, however, is on account of unearned premiums which amounts to $17,997.65 and has been computed in accordance with the provisions of section 267 of the Insurance Law as follows:

Year written	Term	Gross premiums in force	Unearned fraction	Unearned premium
Dec. 1, 1911, to Dec. 1, 1912,	1 year or less.	$14,398 42	1/2	$7,199 21
Dec. 1, 1909, to Dec. 1, 1910,	3 years.....	7,566 55	1/6	1,261 09
Dec. 1, 1910, to Dec. 1, 1911,	3 years.....	8,751 76	1/2	4,375 88
Dec. 1, 1911, to Dec. 1, 1912,	3 years.....	11,593 06	5/6	9,660 88
				$22,497 06
80 per cent. thereof.....				17,997 65

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the members and of the board of directors and executive committee.

The company keeps no unearned premium record. I would recommend that such an account be kept.

Conflagration Hazard

With the exception of a few maps of important towns, no record is kept with reference to the amount of insurance in force in cities and villages. I was unable, therefore, to verify the statement of the officers of the company that it had not exceeded the conflagration limitations provided for by section 267 of the Insurance Law.

Bonds

The treasurer has given a bond with personal surety in the sum of $10,000.

Expense of Managament

In the year 1911 the ratio of expense of management to premium income, after deducting from such expense all expenses incurred in the inspection of risks and the adjustment of losses and legal expenses connected therewith, was 35 per cent.

Officers

The following are the present officers of the company and the salaries paid them in 1911:

President — W. E. Bassler, Middleburgh, N. Y., $1,400 per annum.
Vice-President — G. B. Hyde, Middleburgh, N. Y.
Secretary — G. B. Wheeler, Middleburgh, N. Y., $400 per annum.
Treasurer — J. L. Engle, Middleburgh, N. Y., $200 per annum.

The executive committee is composed of the president, the vice-president, the secretary, the treasurer and one director.

The principal office of the company is located at Middleburgh, N. Y.

ERIE COUNTY FARMERS FIRE RELIEF ASSOCIATION

North Evans, N. Y.

Examination on condition as of June 5, 1912.
Report dated June 12, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in July, 1879, as a county co-operative fire insurance association. In April, 1882, a certificate of incorporation was filed with the Secretary of State. This certificate sets forth the intention of the company to limit the territory in which it shall transact business to Erie county and no extension beyond such territory has ever been made.

On December 19, 1911, the Department issued to it a certificate of authority to continue business as an assessment corporation in the territory named above.

No previous examination of the company has been made.

The assets and liabilities of the company on June 5, 1912, were as follows:

Assets

Cash in office	$77 83
Cash in hands of treasurer	1,870 41
Assessments due (estimated)	4,184 38
Total assets	$6,132 62

Liabilities

Unpaid losses	$1,673 00
Unpaid losses (disputed)	800 00
Officers' salaries accrued	406 25
Borrowed money	3,400 00
Total liabilities	$6,279 25

Assets

The principal asset of the corporation is money due on an assessment which is now in course of collection. This sum is estimated to be $4,184.38. On account of the fact that persons removing from the territory of the company often fail to report that fact, it is impossible to give the exact amount that the assessment will yield. The secretary reports that in general collections are nearly all made, usually being more than 99 per cent. of the total amount assessed. Other assets of the company are $1,870.41 cash in hands of treasurer of which $1,274.67 was deposited in The Peoples Bank of Hamburgh, N. Y., on the date of the examination. There was also $77.83 cash in office.

Liabilities

The principal liability of the company is for borrowed money. This sum, amounting to $3,400, has been borrowed on the company's notes from The Peoples Bank of Hamburgh, N. Y. There are also losses amounting to $2,473 unpaid. Of this amount $800 is disputed by the company on the ground that a building was erected without the knowledge of the company inside the distance limits which the company had fixed as the minimum distance which must separate two buildings in order that they be insurable. The only other liability of the company appears to be officers' and executive committee's salaries accrued, which amount to $406.25.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached village dwellings only. No classification is made, all policyholders paying the same rate of assessment.

Applications are taken by the directors who make the surveys.

For this service they receive $1 for each application and survey. The executive committee passes on all applications.

Losses are adjusted by a board of three appraisers and the adjustments are audited by the executive committee.

Money is paid out by check by the treasurer on an order signed by the president and secretary.

The secretary states that the largest amount insured in any one risk is $5,000.

The accounts of the company are audited annually by an auditing board who are also directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied semi-annually on April 20 and October 20. The company borrows money to pay losses and expenses and the assessment is estimated to be large enough only to pay such outstanding indebtedness. Collections are made by persons appointed for that purpose. One collector is appointed in each village in the company's territory. New members are assessed for only their share of losses and expenses incurred since they were members.

No extra charge is made for delinquency in payment of assessments.

Advance Payments

The company collects in advance a policy fee of $1.50 from new members and $1 from old members.

Bonds

The secretary and treasurer are each bonded by individuals in the sum of $5,000. The directors have each given personal bonds in the sum of $200.

Insurance in Force

On December 31, 1911, there were 2,564 policies and $4,682,340 of insurance in force.

Officers

The officers of the company and salaries paid in 1911 are as follows:

President — M. J. Krull, Brant, N. Y., $150 per annum.
Vice-President — D. W. Spry, North Collins, N. Y., none.
Secretary — F. M. Frost, North Evans, N. Y., $500 per annum.
Treasurer — A. C. Dudley, Orchard Park, N. Y., $100 per annum.

The executive committee consists of three directors who are not officers, who receive as compensation for services $75 per annum each.

The principal office of the corporation is at the residence of the secretary at North Evans, N. Y.

ERIE AND NIAGARA COUNTY FARMER'S INSURANCE ASSOCIATION

SWORMVILLE, N. Y.

Examination on condition as of June 4, 1912.
Report dated June 18, 1912.
Examiner: J. H Middleton.

The company appears to have been organized in June, 1887, as a county co-operative fire insurance corporation. Its certificate of incorporation sets forth the intention of its incorporators to transact business in the counties of Erie and Niagara and no extension beyond these counties has been made.

On December 19, 1911, the Department issued to it a certificate of authority to continue business as a county assessment company in the two counties named above.

No previous examination has been made by the Department.

The assets and liabilities of the company on June 4, 1912, were as follows:

Assets

None.

Liabilities

Borrowed money	$1,500 00
Unpaid losses	1,395 25
Due appraisers and agents	665 15
Directors' fees	92 88
Salaries of officers	100 00

Office expenses	$44 10
Printing bill	130 00
Telephone	1 45
Bank overdraft	153 47
Total liabilities	$4,082 30

Assets

On the date of the examination the company had a nominal bank balance but in reality had overdrawn its account $153.47, the balance appearing in bank as a consequence of unpresented checks.

Liabilities

The principal liabilities of the company are on account of borrowed money amounting to $1,500 and unpaid losses which amount to $1,395.25. There is also $665.15 due appraisers and agents, miscellaneous bills amounting to $368.43 and bank overdraft of $153.47.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village residences, schools and churches. No classification is made, all members paying the same rate of assessment.

The company employs agents who take applications and inspect risks. For performing this service the agent receives a policy fee of $2 from new members and $1 from the company when members renew. Agents receive also a fee of 50 cents when a member has his policy changed. Only a few of the directors are agents.

Losses are adjusted by a board of three appraisers except that in case of small losses the town collector sometimes acts. Money is paid by an excellent system of voucher checks in which the president and secretary sign the order and the treasurer signs the checks.

There are some policies in force of over $7,000 but the secretary states that in such cases the buildings insured are well scattered and are not subject to one fire and that in no case is more than $7,000 exposed to hazard by a single fire.

The accounts of the company are audited annually by a finance committee appointed by the board of directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the board of directors and executive committee. All applications are also kept on file in the office of the company.

Assessments

Assessments are levied annually on the first Tuesday in September. The company borrows money to pay its losses and at the annual assessment assesses a sufficient amount to retire outstanding notes, and also to create a slight surplus, the amount of which is estimated usually to be 50 cents on each $1,000 of insurance. New members are assessed for their pro rata share of losses and expenses which have been incurred since they were members of the company. In case of delinquency in payment of assessments, the insured is charged an extra fee of 5 per cent. after thirty days.

Advance Payment

The company charges in advance a policy fee of $2 to new members but old members pay no such fee and no percentage is collected from any person.

Insurance in Force

On May 1, 1912, there were 7,708 policies in force and $17,328,350 of insurance.

Bonds

The secretary has given a surety bond in the sum of $2,000 and the treasurer a surety bond in the sum of $5,000. All collectors are also bonded in double the amount to be collected. The collectors' bonds are personal bonds and are signed by two sureties.

Officers

The officers of the company and salaries paid are as follows:

President — H. N. Treichler, R. D., North Tonawanda, N. Y.
Vice-President — H. J. Dye, R. F. D., Akron, N. Y.
Secretary — J. E. Secrist, Swormville, N. Y., $1,000 per annum.
Treasurer — E. A. Lapp, Buffalo, N. Y., $250 per annum.

The executive committee is composed of the president, vice-president and three directors. They meet monthly and pass on applications and audit claims.

The principal office of the company is at Swormville, N. Y.

FARMERS' ALLIANCE CO-OPERATIVE FIRE INSURANCE COMPANY OF STEUBEN COUNTY

Canisteo, N. Y.

Examination on condition as of June 7, 1912.
Report dated June 13, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in June, 1891, as a co-operative fire insurance association. The territory of the company was originally limited to Steuben county and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on June 7, 1912, were as follows:

Assets

Assessment uncollected	$6,930 00
Cash on hand	49 52
Due from agents	162 38
Total assets	$7,141 90

Liabilities

Unpaid losses	$4,200 00
Unpaid losses (disputed)	500 00
Borrowed money	3,385 00
Due secretary	149 70
Due agents	17 00
Accrued interest	30 50
Total liabilities	$8,282 20

Assets

The principal asset of the company is an uncollected assessment which was levied June 1, 1912, at the rate of 22 cents per $100 of insurance. Other assets of the company consist of the balance of $49.52 shown by the cash book and the sum of $162.38 due from agents.

Liabilities

The company owes on losses $4,200. Of this sum a loss estimated at $1,700 is unadjusted. The company is also disputing a loss of $500. The voucher of the bank shows that the company owes it on loans $3,385, but the secretary stated that his record showed $3,100 due. I would recommend that a separate account be kept in the cash book of borrowed money so that it will clearly appear what is outstanding on notes.

Other liabilities are $149.70 due the secretary, $17 due to agents and $30.50 accrued interest on borrowed money.

Method of Business

Policies are issued by the secretary for the term of three years. The company insures farm property, detached village residences, churches and schools. No classification is made, each policyholder paying the same rate of assessment.

The directors act as agents of the company in taking applications and making surveys. Some of the directors also appoint sub-agents. For taking the applications and making the survey the director receives a fee of $1 which is collected by him from the insured.

In case of loss the president appoints from one to three adjusters who act for the company.

Money is paid out by check signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $6,600.

The accounts of the company are audited annually by a committee of three policyholders.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, and minutes of the meetings of the

board of directors and executive committee. Applications are kept on file in the office of the company until near the expiration of the policy, then they are sent to the director who is to take the new application. I would recommend that this practice be discontinued and that no application leave the office except as evidence in court.

In case of loss the company has no receipt except the cancelled check. I would recommend that the secretary secure in every case a receipt which shall recite that the amount named therein is accepted by the insured as full payment for all claims against the company on account of the loss for which payment is made.

Assessments

Assessments are levied semi-annually in June and December. The company borrows money to pay losses and the assessment is usually estimated to be large enough to pay the indebtedness and create a small surplus as well. New members are assessed only their pro rata share of losses and expenses which have accrued since they became members. No penalty for delinquency in payment of assessments is made unless suit for collection is brought.

Advance Payment

The company collects in advance a policy fee of $1 and a percentage of 10 cents on each $100 of insurance.

Bonds

No officers of the company are bonded. I would recommend that the treasurer give bond in such sum and with such sureties as in the opinion of the directors will amply protect the policyholders against loss.

Officers

The officers of the company and salaries paid in 1911 are as follows:

President — D. W. Hober, Canisteo, N. Y., $125 per annum.
Vice-President — P. E. Stephens, R. D. 1, Canisteo, N. Y.
Secretary-Treasurer — J. A. Almy, Canisteo, N. Y., $10 per week.

The executive committee consists of the president, the secretary and one director.

The principal office of the company is located at Canisteo, N. Y.

THE FARMERS CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF THE TOWNS OF CLAY, CAMILLUS, LYSANDER AND VAN BUREN

BALDWINSVILLE, N. Y.

Examination on condition as of September 11, 1912.
Report dated September 23, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in August, 1881, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the towns of Clay, Camillus, Lysander and Van Buren in Onondaga county, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on September 11, 1912, were as follows:

Assets

Cash in office	$12 50
Cash in bank	1,148 89
Unpaid premiums	236 82
Total assets	$1,398 21

Liabilities

Unpaid losses (unadjusted)	$10 00
Directors' fees accrued	112 50
Due secretary	75 00
Total liabilities	$197 50

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification is made, each policyholder paying the same rate of assessment.

The company has 13 directors, whose duty it is to take applications, inspect risks, collect premiums and adjust losses. For taking applications, the director receives $1.50 per application.

Money is paid out by check signed by the secretary.

The secretary states that the largest amount insured in any one risk is $7,000.

The executive committee passes on all bills.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications. I would recommend that the company also keep a record of the business transacted by the executive committee as provided for by the by-laws. The records of the company are not properly protected in case of fire.

Assessments

Assessments are usually levied annually in October. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to raise a surplus as well. Assessments are paid to the secretary. New members are usually assessed the full amount. No penalty for delinquency in payment of assessment is charged.

Insurance in Force

On December 31, 1911, there were 1,346 policies and $3,338,975 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on all policies. In addition to this amount it charges a percentage of 20 cents for $100 of insurance.

Bonds

No officers of the company are bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — F. W. Fenner, Baldwinsville, N. Y., $300 per year.
Vice-President — Fred L. Fisher, Baldwinsville, N. Y.
Secretary-Treasurer — Otis M. Bigelow, Baldwinsville, N. Y.

In lieu of a salary the secretary receives $1 per policy written and $100 per year for making assessments.

The executive committee is composed of the president, the vice-president and one director.

The principal office of the corporation is at Baldwinsville, N. Y.

THE FARMERS MUTUAL INSURANCE COMPANY OF ORLEANS AND NIAGARA COUNTIES

MIDDLEPORT, N. Y.

Examination on condition as of September 9, 1912.
Report dated September 26, 1912.
Examiner: J. H Middleton.

This company appears to have been organized in December, 1877, as a voluntary co-operative fire insurance association. It appears to have incorporated in September, 1881. Its certificate of incorporation sets forth its intention to transact business in the counties of Orleans and Niagara, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on September 9, 1912, were as follows:

Assets

Cash in hands of treasurer	$115 66
Total assets	$115 66

Liabilities

Unpaid losses	$700 00
Borrowed money	27,388 45
Officers' fees accrued (estimated)	3,000 00
Total liabilities	$31,088 45

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, village dwellings, schools and churches. No classification is made, each policyholder paying the same rate of assessment.

The company employs its directors and one agent to take applications and inspect risks. For taking applications, the director or agent receives $1.50 per application on new applications but on renewals is paid at the rate of $3 per day for time spent.

Losses are adjusted by the local director, assisted by two adjusters, but in case of small losses the local director alone acts.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $7,000.

The finance committee, composed of the director at large and the executive committee, audit the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications. I would recommend that the secretary also keep a cash book in which shall be entered all sums received and disbursed by the company and shall show at all times the condition of the company.

Assessments

Assessments are usually levied annually in September. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to create also a small surplus. Assessments are paid to the local director or to a collector appointed by him and then transmitted to the treasurer. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. No penalty for delinquency in payment of assessments is charged.

Insurance in Force

On December 31, 1911, there were 5,168 policies and $11,454,793 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on new policies but makes no charge on renewals.

Bonds

The secretary and treasurer have each given a personal bond in the sum of $10,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — James Allen, Middleport, N. Y.
Vice-President — D. R. Watson, Medina, N. Y.
Secretary — E. A. Pearce, Middleport, N. Y., $1,000 per year.
Treasurer — W. V. Peterson, Ransomville, N. Y.

The executive committee is composed of the president, the vice-president, the secretary and the treasurer.

The principal office of the corporation is at Middleport, N. Y.

THE FIRE RELIEF ASSOCIATION OF WAYNE COUNTY

NEWARK, N. Y.

Examination on condition as of October 28, 1912.
Report dated November 11, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1878, as a voluntary co-operative fire insurance association. In January, 1883, it appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the counties of Wayne, Monroe, Ontario, Seneca and Cayuga, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 28, 1912, were as follows:

Assets

Cash in bank	$1,036 28
Unpaid premiums	1,759 55
Unpaid assessments (estimated)	19,600 00
Total assets	$22,395 83

Liabilities

Unpaid losses (unadjusted)	$100 00
Due secretary	125 00
Unpaid bills	50 00
Owe directors	927 00
Total liabilities	$1,202 00

Assets

The assets of the corporation include the sum of $1,036.28 cash in bank. There is also an assessment in course of collection on which the company expects still to collect $19,600. In addition to the above there is $1,759.55 due from policyholders on account of advance payments.

Liabilities

The liabilities of the corporation include unpaid losses amounting to approximately $100. There are also outstanding unpaid bills of $50, and $1,052 due to officers and directors.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village dwellings and grange halls. Property is divided into two classes. The first class includes farm buildings occupied by owners where buildings are more than 50 feet from other buildings, and the second class includes farm property occupied by tenants or two families and where buildings are from 35 to 50 feet apart, and grange halls. The first class is assessed at a flat rate and the second at one and one-fourth times the first class.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments, and assist in the adjustment of losses. For taking applications, the director receives $1.50 per application.

Losses are adjusted by the local director, a person appointed by the loser and the secretary or some person appointed by him.

Money is paid out by check.

The secretary states that the largest amount insured in any one risk is $5,000.

Membership in the company is limited to members of the Patrons of Husbandry.

The executive committee audits the accounts of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually on October 1. The amount of the assessment is usually based on the amount of losses which it is estimated will be incurred during the coming year. Assessments are paid to the local director and by him transmitted to the secretary. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1911, there were 3,837 policies and $9,229,744 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 10 cents for each $100 of insurance on property in the first class and 12½ cents for each $100 of insurance on property in the second class.

Bonds

The secretary has given a bond in the sum of $5,000 with individual surety. Some of the directors have also given bonds.

Officers

The officers of the company and salaries, if any, are as follows:

President — Albert Youmans, Walworth, N. Y.
Secretary — O. M. Lincoln, Newark, N. Y., $500 per annum.
Treasurer — W. H. Osborne, Clyde, N. Y., $50 per annum.

The executive committee is composed of the president, the secretary and the treasurer.

The principal office of the corporation is at the residence of the secretary at Newark, N. Y.

THE GERMAN-AMERICAN MUTUAL FIRE INSURANCE ASSOCIATION OF NIAGARA COUNTY, NEW YORK

Martinsville, N. Y.

Examination on condition as of September 6, 1912.
Report dated October 2, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in May, 1896, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Niagara, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on September 6, 1912, were as follows:

Assets

Cash in bank	$617 11
Real estate (office building)	500 00
Total assets	$1,117 11

Liabilities

Unpaid losses	$7,392 86
Borrowed money	3,250 00
Total liabilities	$10,642 86

Assets

The assets of the corporation include the sum of $617.11 cash in bank. This sum is deposited to the credit of the company in the State National Bank of North Tonawanda, N. Y. The company also owns its office building and lot, which it values at $500. The company has a deed of the land but no evidence as to the title being well vested in the company.

Liabilities

The liabilities of the corporation include unpaid losses (as stated by the secretary), amounting to $7,392.86. The only other liability of the company appears to be the sum of $3,250, borrowed money.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, village dwellings, schoolhouses and churches, and has also in force some blacksmith shops and saloons. No classification is made, each policyholder paying the same rate of assessment.

The company employs directors, whose duty it is to take applications, inspect risks, collect premiums and assessments and adjust losses. For taking application, the director receives the percentage.

Losses are adjusted by the local director, assisted by one other director.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $3,500. He states further, however, that the company has insured nearly all the property in the so-called village of Martinsville. This property is composed almost entirely of frame dwellings, not widely separated. The total amount of this insurance is $170,000.

The accounts of the company are audited annually by two directors.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually in September. The amount of the assessment is usually based on the amount of losses which have been sustained, but is sometimes estimated to create a small surplus. Assessments are paid to the local director and by him transmitted to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership.

Insurance in Force

On December 31, 1911, there were 1,655 policies and $2,950,911 of insurance in force.

Advance Payment

The company charges in advance a policy fee of 25 cents on all policies. In addition to this amount it charges a percentage of 5 cents for $100 of insurance, but not less than 50 cents in any case. There are also certain short term policies issued on which the company charges 50 cents per $100 of insurance, in advance.

Bonds

The treasurer has given a personal bond in the sum of $1,000. Directors give bonds varying in amount from $300 to $1,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — Julius Stolzenburg, Martinsville, N. Y.
Vice-President — Christian C. Fritz, Martinsville, N. Y.
Secretary — Martin W. Miller, North Tonawanda, N. Y.
Treasurer — Aaron Sattelberg, Martinsville, N. Y.

In lieu of a salary the secretary receives 25 cents per policy issued and $2 per day for time spent in connection with assessments.

The executive committee is composed of the president, the vice-president, the secretary, the treasurer and one director.

The principal office of the corporation is at Martinsville, N. Y.

GHENT MUTUAL FIRE INSURANCE COMPANY

GHENT, N. Y.

Examination on condition as of July 26, 1912.
Report dated August 7, 1912.
Examiner: J. H. Middleton.

The officers of this company state that it was organized about fifty years ago, but the exact date is unknown. In January, 1889, it appears to have incorporated. Its business has been confined entirely to the town of Ghent in Columbia county.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a town assessment corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on July 26, 1912, were as follows:

Assets

Cash in hands of secretary	$315 99
Assessments in course of collection	287 83
Total assets	$603 82

Liabilities

Unpaid losses	$400 00
Borrowed money	160 00
Total liabilities	$560 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, village residences, stores, blacksmith shops, schools and sawmills. No classification is made, each policyholder paying the same rate of assessment.

Applications are taken by the secretary who also inspects risks, collects premiums and levies and receives assessments and assists in the adjustment of losses.

Large losses are adjusted by the board of directors.

Money is paid out by the secretary on his personal check.

The secretary states that the largest amount insured in any one hazard is $6,000.

The board of directors audit the accounts of the company.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the company and of the board of directors.

Assessments

Assessments are levied only when necessary to pay losses.

The amount of the assessment is usually based on the amount of losses which have been sustained and is also estimated to create a small surplus. Assessments are paid to collectors who are appointed by the board of directors, and the collectors transmit the sums collected to the secretary. New members are assessed only for their share of losses which occur while they are members of the company.

Insurance in Force

On December 31, 1911, there were 298 policies and $611,231 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on each policy, but charges no percentage.

Bonds

The directors delegated to receive the assessment give personal bonds in double the amount of each assessment.

Officers

The officers of the company and salaries, if any, are as follows:

President — Laton Moore, Ghent, N. Y., $12 per annum.
Secretary-Treasurer — John H. Shult, Ghent, N. Y.

In lieu of a salary the secretary receives $1 for taking an application and making the survey, $6 for making out an assessment and 2 per cent. for collecting an assessment of less than $1,000, and 1 per cent. for collecting an assessment of more than $1,000.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Ghent, N. Y.

GREENWICH TOWN FIRE INSURANCE COMPANY

GREENWICH, N. Y.

Examination on condition as of August 28, 1912.
Report dated September 21, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1891, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the town of Greenwich, county of Washington, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on August 28, 1912, were as follows:

Assets

Cash in hands of secretary	$137 66
Total assets	$137 66

Liabilities

Unpaid losses	$90 00
Borrowed money	50 00
Bills due	14 00
Total liabilities	$154 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village dwellings, schoolhouses and churches. No classification is made, each policyholder paying the same rate of assessment.

The duties of the secretary include taking applications, inspecting risks, collecting premiums and assessments and assisting in the adjustment of losses.

Large losses are adjusted by the whole board of directors but in case of smaller losses a committee acts and in case of losses less than $50 the secretary does the adjusting.

Money is paid out by the secretary on his personal check.

The secretary states that the largest amount insured in any one risk is $4,000.

The board of directors audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses.

The amount of the assessment is usually based on the amount of losses which have been sustained, but is also estimated to raise a slight surplus for current expenses. Assessments are paid to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. A penalty of 5 per cent. is charged persons who are delinquent in the payment of assessments.

Insurance in Force

On December 31, 1911, there were 392 policies and $648,450 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $2 on all policies but charges no percentage.

Bonds

No officer of the company is bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — Duane M. Hall, Greenwich, N. Y.
Vice-President — Horton A. Barbur, Greenwich, N. Y.
Secretary-Treasurer — O. W. Tefft, Greenwich, N. Y.

In lieu of a salary the secretary receives $1 for each policy written, $10 for making assessments and 1 per cent. for collection.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary at Greenwich, N. Y.

GUILDERLAND MUTUAL INSURANCE ASSOCIATION

GUILDERLAND CENTER, N. Y.

Examination on condition as of October 9, 1912.
Report dated October 21, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1854, as a voluntary co-operative fire insurance association. In February, 1873, it was incorporated by special act of Legislature. The territory in which the company was to transact business was limited to the town of Guilderland in Albany county, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 9, 1912, were as follows:

Assets

Cash in hands of secretary	$909 31
Uncollected assessments	200 00
Total assets	$1,109 31

Liabilities

Unpaid losses	$1,075 00
Total liabilities	$1,075 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, churches, village dwellings, hotels, factories and mercantile establishments. Risks are divided into four classes. The first class includes farm property and detached village dwellings, the second class includes factories, grist mills, churches and school buildings, the third class includes property in villages not specified in other classes and buildings used for hotels and mercantile establishments and the fourth class includes property situated within 40 feet of the boundary line of any railroad and other descriptions of hazardous property. Risks in the first class are assessed at a flat rate, the second class 1½ times the first, the third class double the first and the fourth class three times the first.

The company employs an agent whose duty it is to take applications, inspect risks, collect premiums and assessments. For taking applications the agent receives $1.25 per application, and for collecting an assessment, $40.

Losses are usually adjusted by the executive committee.

Money is paid out in cash by the secretary.

The secretary states that the largest amount insured in any one risk is $4,000.

The accounts of the company are examined at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is usually based on the amount of losses which have been sustained. Assessments are paid to the agent and by him transmitted to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. The company makes no charge for delinquency in payment of assessments. Two-thirds of the assessment is payable in 60 days and the balance at the end of 90 days from the time of levying it.

Insurance in Force

On December 31, 1911, there were 534 policies and $947,705 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $2 on all policies. In addition to this amount it charges a percentage of 5 cents for $100 of insurance.

Bonds

No officer of the company is bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — E. F. Wormer, Guilderland Center, N. Y.
Vice-President — W. A. Brinkman, R. D. 2, Altamont, N. Y.
Secretary-Treasurer — W. A. Young, Guilderland Center, N. Y.

The executive committee is composed of the president, the vice-president and the secretary.

The principal office of the corporation is at Guilderland Center, N. Y.

HOOSICK CO-OPERATIVE FIRE INSURANCE COMPANY

Hoosick, N. Y.

Examination on condition as of July 24, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1895, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the town of Hoosick in Rensselaer county.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a town assessment corporation in the territory named above.

In January, 1911, the business of the company was extended into the towns of Pittstown, Petersburg and Grafton, all in Rensselaer county.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on July 24, 1912, were as follows:

Assets

Cash in office	$11 42
Unpaid assessments	920 48
Total assets	$931 90

Liabilities

Unpaid losses	$900 00
Total liabilities	$900 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village dwellings, schoolhouses churches and country stores. Risks are divided into three classes. The first class includes buildings more than 40 feet from other buildings; the second class includes buildings less than 40 feet from other buildings, and churches and buildings more than 100 but less than 500 feet from steam railroad

tracks; the third class includes buildings less than 100 feet from railroad tracks. Property in the second class is assessed twice as much as property in the first class; and property in the third class is assessed three times as much as property in the first class.

The company employs agents whose duty it is to take applications, inspect risks and collect policy fees. For taking applications, the agent receives $1 per application.

Losses are adjusted by a committee of directors appointed by the president.

Money is paid out on the order of the board of directors. Checks are signed by the secretary who also passes on all risks.

The secretary states that the largest amount insured in any one risk is $3,000.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained but is estimated to raise a slight surplus as well. Assessments are paid to the secretary. New members are assessed only for losses which occurred since they were members.

Insurance in Force

On December 31, 1911, there were 253 policies and $713,290 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $2 on all policies, but charges no percentage.

Bonds

No officers of the company are bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — Jay C. Cottrell, Hoosick Falls, N. Y.
Vice-President — Dean A. Kelyer, Hoosick Falls, N. Y.
Secretary-Treasurer — John A. Harrison, Hoosick, N. Y.

In lieu of a salary the secretary receives 2 per cent. for making and collecting assessments, and 50 cents for each policy issued, and 25 cents for each change made.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Hoosick, N. Y.

KNOX MUTUAL INSURANCE COMPANY

Knox, N. Y.

Examination on condition as of October 14, 1912.
Report dated October 23, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in 1858 as a voluntary co-operative fire insurance association. Its articles of association set forth its intention to transact business in the town of Knox, county of Albany, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 14, 1912, were as follows:

Assets

Cash in bank	$40 50
Unpaid assessments	30 00
Total assets	$70 50

Liabilities

None.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village residences, schoolhouses, churches, hotels, groceries and sawmills. No classification is made, each policyholder paying the same rate of assessment.

It is the duty of the secretary and assistant secretary to take applications, inspect risks and collect assessments. For taking applications, they receive $1 per application.

Small losses are adjusted by the president and secretary, but in case of large losses the board of directors act.

Money is paid out by check signed by the secretary.

The secretary states that the largest amount insured in any one risk is $3,000.

The executive committee audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee, and all applications. The records of the company are not, however, protected against fire or theft. It would be advisable, in the opinion of your examiner, for the company to procure a suitable safe or safes.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is usually based on the amount of losses which have been sustained and is figured at the nearest even percentage. Assessments are paid to the secretary or to the assistant secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. The by-laws provide that persons not paying assessments in 30 days shall be penalized an additional 5 per cent.

Insurance in Force

On December 31, 1911, there were 297 policies and $406,350 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on all policies but charges no percentage.

Bonds

No officer of the company is bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — W. S. Schoonmaker, Berne, N. Y.
Secretary-Treasurer — Perry C. Ostrander, Knox, N. Y.

The executive committee is composed of the president, the secretary and one director.

The principal office of the corporation is at the residence of the secretary at Knox, N. Y.

THE LIVINGSTON COUNTY MUTUAL FIRE INSURANCE COMPANY

Livonia Center, N. Y.

Examination on condition as of October 30, 1912.
Report dated November 18, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in April, 1877, as a voluntary co-operative fire insurance association. It appears to have incorporated in February, 1881. Its certificate of incorporation sets forth its intention to transact business in the county of Livingston and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advance premium co-operative fire insurance corporation in the territory named above.

The only previous examination of the company was made by this Department in October, 1909.

The assets and liabilities of the company on October 30, 1912, were as follows:

Assets

Ledger Assets	
Cash in office	$69 18
Cash in banks and trust companies	13,886 97
Agents' balances over 3 months due (net)	2,063 26
Agents' balances less than 3 months due (net)	2,201 87
Total assets	$18,221 28
Deduct Assets Not Admitted	
Agents' balances over 3 months due (net)	2,063 26
Total admitted assets	$16,158 02

Liabilities

Unearned premiums	$13,993 38	
Unpaid orders	125 77	
Agents' credit balances	2 07	
Officers' salaries accrued	625 00	
Total liabilities		$14,746 22
Excess of assets over liabilities		$1,411 80

Assets

The assets of the corporation include the sum of $69.18 cash in office. There is deposited in banks to the credit of the company $13,886.97. There are also unpaid premiums and assessments due from agents amounting, after deducting commissions, to $4,265.13. Of this sum $2,063.26 is represented by policies written more than three months prior to the date of examination. I would recommend that the Department request the company to adopt a policy of closer collections as the amount due from agents is unduly large.

Liabilities

The principal liability of the corporation is on account of unearned premiums which amount to $13,993.38. The other liabilities of the corporation are on account of officers' salaries accrued amounting to $625, unpaid orders amounting to $125.77 and one case in which an agent has overpaid his account $2.07. The unearned premium liability has been computed in accordance with section 267 of the Insurance Law as follows:

Year Written	Term	Gross premiums charged	Unearned fraction	Unearned premium
Oct. 31, 1911 to Nov. 1, 1912.....	1 yr	$252 06	1/2	$126 03
Oct. 31, 1910 to Nov. 1, 1911.....	2 yrs	73 22	1/4	18 31
Oct. 31, 1911 to Nov. 1, 1912.....	2 yrs	16 80	3/4	12 60
Oct. 31, 1909 to Nov. 1, 1910.....	3 yrs	11,976 38	1/6	1,996 06
Oct. 31, 1910 to Nov. 1, 1911.....	3 yrs	11,876 64	1/2	5,938 32
Oct. 31, 1911 to Nov. 1, 1912.....3 yrs		11,280 49	5/6	9,400 41
Total				$17,491 73
80 per cent. thereof.....				13,993 38

Method of Business

Policies are issued by the secretary usually for the term of three years although a few are one and two-year policies. The company insures farm property and village residences. On houses and contents it charges a premium of 60 cents per $100 for three years, on barns and contents a premium of 80 cents per $100 for three years, and in case automobiles are stored in buildings, an extra premium of 15 cents per $100 is added to a three-year policy. No insurance on automobiles is written, however.

The company employs agents, whose duty it is to take applications, inspect risks and collect premiums. For taking applications the agent receives 15 per cent. commission and $5 per year salary.

Large losses are adjusted by the president and secretary, but in case of small losses the local director acts.

Money is paid out by check signed by the secretary who then turns over the receipt to the treasurer.

The company takes only $3,000 in a single policy but will take two risks only 40 feet apart and the secretary states that he does not know whether there are two such policies over $2,500 each in force.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors, and all applications. In addition I would recommend that the secretary keep minutes of the meetings of the executive committee as required by the by-laws.

Assessments

During the year 1912 the company levied an assessment at the rate of 30 cents per $100 of insurance. To the date of examination the company had realized $14,671.90 from the assessment.

Insurance in Force

On December 31, 1911, there were 2,649 policies and $5,019,909 of insurance in force.

Conflagration Hazard

With the exception of risks in excess of $5,000 noted above the secretary states that the company has not violated any of the conflagration limitations of section 267 of the Insurance Law.

Bonds

The secretary and the treasurer have each given a bond in the sum of $5,000 with individual sureties, and each agent with one exception only has given a similar bond in the sum of $500.

Officers

The officers of the company and salaries, if any, are as follows:

President — F. M. Davis, Livonia, N. Y., 24 per cent on 50 cents per $1,000 of insurance written.

Vice-President — A. J. Slaight, Tuscarora, N. Y.

Secretary — L. H. Beecher, Livonia Center, N. Y., 76 per cent of 50 cents per $1,000 of insurance written.

Treasurer — E. N. Stone, Livonia, N. Y., $5 per year.

The executive committee is composed of the president, the vice-president and the secretary.

The principal office of the corporation is at the residence of the secretary near Livonia Center, N. Y.

THE LIVINGSTON TOWN INSURANCE COMPANY

LIVINGSTON, N. Y.

Examination on condition as of October 11, 1912.
Report dated October 22, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in 1858, as a co-operative fire insurance association. In February, 1898, it

appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the town of Livingston, county of Columbia, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 11, 1912, were as follows:

Assets

Cash in hands of treasurer	$136 02
Total assets	$136 02

Liabilities

None.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, churches, halls, creameries, blacksmith shops and stores.

Risks are divided into two classes. The first class includes farm property and detached dwellings. The second class includes churches, schoolhouses and property more hazardous. No difference in assessment is made between the two classes, the only distinction made is in the percentage charged, which is 10 cents per $100 of insurance on property in the first class and 50 cents per $100 of insurance on property in the second class.

It is the duty of the secretary and the board of directors to take applications, inspect risks, collect premiums and assessments. For taking applications, the director or secretary receives 50 cents per application.

Losses are adjusted by the three appraisers who are appointed for that purpose.

Money is paid out by check signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $6,000.

The accounts of the company are read off at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained. Assessments are paid to the secretary and by him transmitted to the treasurer. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On September 24, 1912, there were 334 policies and $561,940 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on new policies but charges no fee for renewals. In addition to this amount it charges a percentage of 10 cents per $100 of insurance on property in the first class and 50 cents on property in the second class.

Bonds

The treasurer has given a personal bond in the sum of $1,000 and the secretary in the sum of $200.

Officers

The officers of the company and salaries, if any, are as follows:

President — S. J. Clum, Livingston, N. Y.
Secretary — Theron Moore, Elizaville, N. Y.
Treasurer — Fred Wildey, Livingston, N. Y.

In lieu of a salary the secretary receives 50 cents for each application taken, 50 cents for writing and recording each policy and $25 for making and levying assessments.

The company has no executive committee.

The principal office of the corporation is at the town hall in Livingston, N. Y.

THE MERCHANTS' CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF CENTRAL NEW YORK

Utica, N. Y.

Examination on condition as of July 29, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in August, 1894, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the counties of Oneida, Madison and Lewis. In March, 1895, the territory was extended to include also the county of Herkimer; in July, 1895, it further extended into Otsego county and in August, 1905, it extended into Jefferson county.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advanced premium co-operative fire insurance corporation in the six counties named above.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the corporation on July 29, 1912, were as follows:

Assets

Cash in office	$149 00
Cash in bank not at interest	84 13
Cash in bank at interest	2,683 00
Total assets	$2,916 13

Liabilities

Unearned premiums	$2,946 10
Accrued salaries	125 00
Unpaid bills	12 55
Total liabilities	$3,083 65

Assets

The assets of the corporation consist of cash in office amounting to $149, cash in bank not at interest amounting to $84.13 and cash in bank at interest amounting to $2,683.

Liabilities

The principal liability of the company is on account of unearned premiums, which amounts to $2,946.10. There are also accrued salaries amounting to $125 and small unpaid bills of $12.55. The unearned premium has been computed in accordance with section 267 of the Insurance Law as follows:

Year written	Term	Total premiums	Unearned fraction	Unearned premiums
July 29, 1911 to July 28, 1912....	1 year	$7,287 12	½	$3,643 56
July 29, 1911 to July 28, 1912....	2 years	2 70	¾	2 02
July 29, 1911 to July 29, 1912....	3 years	44 60	⅚	37 15
Total				$3,682 73
80 per cent. thereof				2,946 18

Expense of Management

In 1911 the total ratio of expense of management to premium income was 25.6 per cent. Excluding from the expense of management, expenses "incurred in the inspection of risks and adjustment of losses and legal expenses connected therewith" the expense of management was 23.1 per cent. of the premium income.

Conflagration Hazard

The secretary states that the company has not exceeded the conflagration limitations of section 267 of the Insurance Law except that there are some policies in force in excess of $2,000 in villages without water protection. He states, however, that the company is taking steps to comply with the law in this respect.

Insurance in Force

On December 31, 1911, there were 321 policies and $449,785 of insurance in force.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register and minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Bonds

No officers of the company are bonded.

Management

All policies are issued by the secretary who in connection with the executive committee passes on all risks. The company employs no agents. The secretary solicits all risks and makes all inspections and adjusts practically all losses.

The company does not aim to accumulate a large surplus but returns annually a portion of the premium to each policyholder. On November 3, 1911, the board of directors passed the following resolution:

"Resolved, That renewals for ensuing year in the Merchants' Co-operative Fire Insurance Association of Central New York shall be figured at 100 per cent. of the initial premiums on the several policies, but first renewals may be allowed 10 per cent. reduction and second renewals together with all renewals of a higher number may be allowed 20 per cent. reduction."

Money is paid out by the treasurer on the order of the executive committee.

The officers of the company and salaries, if any, are as follows:

Officers

President — C. H. Phister, Vernon, N. Y., nothing.
Vice-President — J. Edgar Jones, Turin, N. Y., nothing.
Secretary — Giles A. Geer, Utica, N. Y., $1,500 per annum.
Treasurer — F. E. Gaus, Utica, N. Y., $50 per annum.

The three members of the executive committee also receive a salary of $25 per year.

The principal office of the company is located at the residence of the secretary in Utica, N. Y.

THE MERCHANTS' AND FARMERS' MUTUAL FIRE INSURANCE COMPANY OF SCHOHARIE AND ALBANY COUNTIES

Middleburgh, N. Y.

Examination on condition as of December 10, 1912.
Report dated January 28, 1913.
Examiner: J. H. Middleton.

This company appears to have been organized in June, 1897. Its certificate of incorporation sets forth its intention to transact business in Schoharie and Albany counties. On November 9,

1897, the corporation appears to have extended its business into Otsego county, on January 28, 1898, into Delaware county, on March 25, 1898, into Montgomery county and on April 17, 1905, into Saratoga and Washington counties.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an advance premium co-operative fire insurance corporation in the seven counties named above.

On May 22, 1911, the corporation filed a certificate of intention to extend its territory to include all counties of the State outside of New York city.

The only previous examination of the company was made by an examiner of the Department on November 16, 1909.

The assets and liabilities of the company at the close of business on December 10, 1912, were as follows:

Assets

Ledger Assets		
Cash in bank		$335 82
Book value of mortgages		2,600 00
Book value of bonds		500 00
Agents' balances less than 3 months due		2,276 36
Agents' balances over 3 months due		5,105 57
Total ledger assets		$10,817 75
Non-Ledger Assets		
Interest due and accrued on bonds	$20 00	
Interest due and accrued on mortgages	107 48	
Total non-ledger assets		127 48
Gross assets		$10,945 23
Deduct Assets Not Admitted		
Agents' balances over 3 months due		5,105 57
Total admitted assets		$5,839 66

Liabilities

Losses adjusted and unpaid, not due	$603 69
Losses adjusted, unpaid, due	600 00
Unearned premiums	11,033 90
Officers' salaries accrued	533 33
Unpaid bills	66 25
Total liabilities	$12,837 17

Assets

The assets of the corporation include the sum of $355.82 cash in bank. This sum is deposited to the credit of the company in the First National Bank of Middleburgh, N. Y.

There is loaned on bond and mortgage the sum of $2,600 represented by loans of $200, $1,700 and $700. The company has no evidence on file that the title to the property is well vested in the mortgagor except that in one case the mortgagor has made affidavit that he has had possession of the property mortgaged for 25 years. The company has no insurance policies on file assigned to it as mortgagee in any case. The secretary states, however, that in each case the insurance has been taken out in the company. As evidence of the value of the property the company has furnished a statement, signed by four members of the executive committee, which sets forth the value of the property mortgaged. The secretary states that all mortgages held by the company are first mortgages. The title to the property covered by the $700 mortgage is in the secretary and the president. Such investment is held, therefore, in violation of the provisions of section 36 of the Insurance Law, but as it was made prior to the time section 328 of the Laws of 1910 became effective, I have allowed it as an asset.

The company owns one $500 gold coupon 5 per cent. mortgage bond of the Middleburgh and Schoharie Electric Light, Heat and Power Company. The value of this bond has been appraised by the Department's expert at par. The last interest coupon, dated September 1, 1912, had not been presented for payment at the time of examination.

The principal asset of the company is sums due from agents, the total of which amounts to $7,381.93. Of this sum $5,105.57 is more than three months due and has, therefore, been deducted as an asset not admitted. Of the amount due from agents the sum of $4,700.57 is owed by Frisbie Brothers, a copartnership composed of the president and the secretary of the company. The records of the company show that this firm owes the company for all premiums on policies issued through their agency since March, 1910. This balance is not protected by a bond.

Liabilities

The company keeps no loss claim register and I was unable, therefore, to verify from the records the amount of unpaid losses. The secretary states that the total amount of unpaid losses is $1,203.69. Of this amount one loss which originally amounted to $1,200 but which was reduced by partial payment to $600, was adjusted on July 20, 1912, and due sixty days thereafter. In addition to the fire losses there are unpaid $533.33 of officers' salaries and $66.25 of miscellaneous bills. The principal liability of the company, however, is on account of unearned premiums which have been computed in accordance with section 267 of the Insurance Law as follows:

Year written	Term	Total premiums	Unearned fraction	Unearned premiums
Dec. 1911 — Dec. 1912	1 year	$8,634 85	½	$4,317 42
Dec. 1909 — Dec. 1910	3 years	6,324 94	⅙	1,054 16
Dec. 1910 — Dec. 1911	3 years	6,164 20	½	3,082 10
Dec. 1911 — Dec. 1912	3 years	6,406 43	⅝	5,338 69
Total premiums				$13,792 37
80 per cent. thereof				11,033 90

Loss Payments

In examining the proofs of loss on file, I found that during 1911 and 1912 losses were not settled when due. The contracts issued by the company call for the payment of losses "sixty days after due notice, ascertainment, estimate and satisfactory proof of the loss have been received by this company." In a number of cases it appeared that the company had not paid the loss until it was about 30 days overdue. In one such case the assured presented a bill for interest on the amount of the loss for the period from the due date until the loss was paid and the company made the interest payment. At the time of examination there was a portion of a loss unpaid, as cited above, which was overdue. In this case the fire occurred July 12, 1912, and satisfactory proof of loss of $1,200 was received on July 20th. On October 3d, the check book shows that a check for $600 was drawn payable to the assured but the balance of $600 remained unpaid.

Conflagration Hazard

The company has no records to show compliance with the conflagration limitations of section 267 of the Insurance Law. In its last annual statement, sworn to by the president and secretary, the company states that it has not exceeded such limitations.

Bonds

No officers of the company are bonded.

Payment of Commissions to Officers

As pointed out above, the president and the secretary of the company act as its agents in soliciting business. In order to comply with that provision of section 267 of the Insurance Law which forbids the payment of commissions to persons who pass on the character of risks, the executive committee on December 23, 1910, and on January 8, 1912, appointed a member of the executive committee who was not an officer and who maintained no agency to pass on the applications submitted by such president and secretary.

Officers

At present, the officers of the company and the salaries paid them in 1911 are as follows.

President — Daniel D. Frisbie, Middleburgh, N. Y., $1,200 per annum.
Secretary — George D. Frisbie, Middleburgh, N. Y., $900 per annum.
Treasurer — Charles W. Vroman, Middleburgh, N. Y., $200 per annum.

The executive committee is composed of the president, the secretary, the treasurer and two directors.

The principal office of the corporation is at Middleburgh, N. Y.

MONROE COUNTY PATRONS FIRE RELIEF ASSOCIATION

Honeoye Falls, N. Y.

Examination on condition as of October 29, 1912.
Report dated November 13, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in April, 1877, as a voluntary co-operative fire insurance association. Later it

appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the county of Monroe. In April, 1896, it extended its business to Ontario, Livingston, Genesee and Orleans counties and in March, 1907, to Wayne county.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 29, 1912, were as follows:

Assets

Cash in banks	$3,008 92
Unpaid premiums (estimated)	500 00
Unpaid assessments (estimated)	20,800 00
Total assets	$24,308 92

Liabilities

Unpaid losses (unadjusted)	$35 00
Borrowed money unpaid	18,500 00
Officers' salaries and fees accrued	500 00
Total liabilities	$19,035 00

Assets

The assets of the corporation include the sum of $3,008.92 cash in banks and trust companies. There are also unpaid premiums which are roughly estimated to amount to $500. I was unable to obtain the exact amount for the reason that some directors had remitted sums to the company and had neglected to state whether such remittances were on account of premiums or assessments. In addition to the above there is an assessment in course of collection on which there is $20,800 still to be collected.

Liabilities

The liabilities of the corporation include unpaid losses amounting to about $35. The other liabilities of the company are $18,500 for borrowed money and salaries and fees owed officers amounting to $500.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached dwellings and grange halls. No classification is made, each policyholder paying the same rate of assessment.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments and assist in adjusting losses. For taking applications, the director receives $1 per application.

Small losses are adjusted by the local director, but in case of large losses he is assisted by directors of an adjoining grange.

Money is paid out by check signed by the president and the secretary.

The secretary states that the largest amount insured in any one risk is $7,000.

The accounts of the company are audited annually by a committee of two directors.

Membership in the company is limited to persons affiliated with the Patrons of Husbandry.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications. In addition I would recommend that the secretary keep a cash book in which shall be entered all sums received by the company from all sources and all sums paid out by the company, and that the difference between the income and the disbursements in such book shall at all times show the exact amount which the company has on hand.

Assessments

Assessments are usually levied annually on October 15th. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to raise a small surplus as well. Assessments are paid to the local director and by him transmitted to the secretary. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1911, there were 3,548 policies and $8,581,369 of insurance in force.

Advance Payments

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 50 cents for each $100 of insurance.

Bonds

The secretary-treasurer has given a bond in the sum of $5,000 with individual surety.

Officers

The officers of the company and salaries, if any, are as follows:

President — J. E. Miner, Brockport, N. Y.
Secretary-Treasurer — R. C. Parrish, Honeoye Falls, N. Y.

The executive committee is composed of the president, the secretary and one director.

The principal office of the corporation is at the residence of the secretary near Honeoye Falls, N. Y.

NEW BALTIMORE MUTUAL INSURANCE ASSOCIATION

RAVENA, N. Y.

Examination on condition as of October 7, 1912.
Report dated October 26, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in January, 1855, as a voluntary co-operative fire insurance association. In June, 1887, the association appears to have incorporated. Its certificate of incorporation sets forth its intention to transact business in the towns of New Baltimore and Coxsackie in the

county of Greene and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 7, 1912, were as follows:

Assets

Cash in bank	$797 27
Total assets	$797 27

Liabilities

Unpaid losses	$1,050 00
Total liabilities	$1,050 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, detached village dwellings, schoolhouses and country chapels. No classification is made, each policyholder paying the same rate of assessment.

It is the duty of the secretary to take applications, inspect risks, collect premiums and assessments and assist in adjusting losses.

Small losses are adjusted by the secretary, but in case of large losses the executive committee acts.

Money is paid out by check signed by the secretary.

The secretary states that the largest amount insured in any one risk is $4,500.

The accounts of the company are read off at the annual meeting.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated also to raise a small surplus. Assessments are paid to the secretary or to three collectors who are appointed to receive assessments. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. A penalty of 5 per cent. is exacted from persons who are delinquent in paying assessments.

Insurance in Force

On December 31, 1911, there were 705 policies and $1,279,090 of insurance in force.

Advance Payments

The company charges in advance a policy fee of $1.50 on all policies. In addition to this amount it charges a percentage of 10 cents on each $100 of insurance.

Bonds

The secretary-treasurer has given a personal bond in the sum of $4,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — Charles J. Lisk, West Coxsackie, N. Y.
Vice-President — William C. Harden, New Baltimore Station, N. Y.
Secretary-Treasurer — M. P. Hotaling, Ravena, N. Y.

In lieu of a salary the secretary receives $1.50 for each policy issued, 50 cents for each transfer and 5 per cent. of assessments collected. Out of the latter sum, however, he pays the subcollectors.

The executive committee is composed of the president, the secretary and one director.

The principal office of the corporation is at the residence of the secretary in the town of New Baltimore.

NIAGARA AND ERIE COUNTY FARMERS PROTECTIVE ASSOCIATION

Pendleton, N. Y.

Examination on condition as of September 6, 1912.
Report dated September 25, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in January, 1889, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the counties of Niagara and Erie and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on September 6, 1912, were as follows:

Assets

Cash in hands of treasurer	$8 72
Total assets	$8 72

Liabilities

Unpaid losses	$1,615 00
Unpaid losses (unadjusted)	180 00
Borrowed money	2,400 00
Agents' fees accrued	55 00
Total liabilities	$4,250 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and schoolhouses. No classification is made on new policies although there are some unexpired policies on stores and country hotels which are classified. On new policies each policyholder pays the same rate of assessment.

The company employs agents some of whom are directors whose duty it is to take applications, inspect risks, collect assessments and

adjust losses. For taking applications the agent receives $1.50 on new policies and $1 on renewals per application.

Losses under $50 are adjusted by the agent but in case of large losses he is assisted by two appraisers at large.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $4,000.

The finance committee consisting of three directors audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually on the second Tuesday in September. The amount of the assessment is usually based on the amount of losses which have been sustained, but is sometimes estimated to raise a small surplus. Assessments are paid to the agents and collectors and by them transmitted to the treasurer. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. A penalty of 10 per cent. is exacted from all persons delinquent in payment of assessments.

Insurance in Force

On December 31, 1911, there were 1,393 policies and $2,807,030 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on new policies but charges no fee on renewals.

Bonds

The treasurer has given a personal bond in the sum of $500 and the secretary in the sum of $1,000. Agents are bonded in double the amount of the assessment.

Officers

The officers of the company and salaries, if any, are as follows:

President — John F. Brauer, R. D. 13, North Tonawanda, N. Y.
Vice-President — Henry H. Wolf, R. D. 1, Williamsville, N. Y.
Secretary — Jacob Blum, R. D. 11, Martinsville, N. Y., $300 per year.
Treasurer — John Neubecker, R. D. 11, Martinsville, N. Y., $50 per year.

The executive committee is composed of the president, the vice-president, the treasurer and two directors.

The principal office of the corporation is at Wendelville, N. Y.

ONTARIO COUNTY ALLIANCE MUTUAL FIRE RELIEF ASSOCIATION

Canandaigua, N. Y.

Examination on condition as of October 31, 1912.
Report dated November 12, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in June, 1894, as a co-operative fire insurance corporation. Its business appears originally to have been confined to Ontario county. On March 1, 1899, it appears to have extended into Yates county.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

On January 19, 1911, the corporation filed a certificate of intention to extend its business into Wayne, Livingston and Monroe counties.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 31, 1912, were as follows:

Assets

Cash in office	$126 67
Cash in bank	810 68
Unpaid assessments	9,320 77
Total assets	$10,258 12

Liabilities

Unpaid losses	$1,674 00
Borrowed money	10,539 86
Fees owed	84 26
Total liabilities	$12,298 12

Assets

The assets of the corporation include the sum of $126.67 cash in office. There is also deposited in bank to the credit of the company $810.68. An assessment now in course of collection is expected still to yield $9,320.77.

Liabilities

The liabilities of the corporation include unpaid losses amounting to $1,674. The other liabilities of the company are on account of borrowed money amounting to $10,539.86, and fees of $84.26 owed.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, schoolhouses, churches and detached dwellings.

Property is divided into two classes. The first class includes buildings more than 50 feet from other buildings, and the second class includes property less than 50 feet from other buildings and churches, schools and cottages. All property is assessed at the same rate, the only difference in the two classes being in the amount of "percentage" paid in advance.

The company has several agents and a board of directors, whose duty it is to take applications, inspect risks, and collect premiums and assessments. For taking applications, the director receives $2 per application if the survey fee and the percentage equals that amount, and if not, the whole of such fee and percentage.

Losses are adjusted by a committee appointed by the president.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $4,000.

The executive committee audits the accounts of the company.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually on September 15th. The amount of the assessment is usually based on the amount of losses which have been sustained, but is sometimes estimated to create a small surplus. Assessments are paid to the local director and by him transmitted to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1911, there were 2,380 policies and $2,995,-037 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 1/7 of 1 per cent. on property more than 50 feet from other property, and 1/5 of 1 per cent. on property less than 50 feet from other property. The company allows, however, a 10 per cent. reduction from all fees, percentages and assessments in case property is properly equipped with lightning rods.

Bonds

The secretary and treasurer have given surety company bonds in the sum of $1,000, and all directors and some agents have given bonds with individual surety in the sum of $500.

Officers

The officers of the company and salaries, if any, are as follows:

President — A. B. Welch, Victor, N. Y.
Vice-President — G. S. Randall, Manchester, N. Y.
Secretary — E. W. Burge, Canandaigua, N. Y., $750 per annum.
Treasurer — C. E. Gooding, Holcomb, N. Y.

The executive committee is composed of the president, the secretary and the treasurer.

The principal office of the corporation is at Canandaigua, N. Y.

ONTARIO COUNTY PATRONS FIRE RELIEF ASSOCIATION

CANANDAIGUA, N. Y.

Examination on condition as of October 31, 1912.
Report dated November 11, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in June, 1877, as a voluntary co-operative fire insurance association. It appears to have incorporated in June, 1879. Its certificate of incorporation sets forth its intention to transact business in the county of Ontario, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on October 31, 1912, were as follows:

Assets

Cash in bank	$575 35
Unpaid premiums	1,272 63
Total assets	$1,847 98

Liabilities

Unpaid losses (unadjusted)	$65 00
Borrowed money	1,600 00
Officers' salaries accrued	416 66
Policy fees owed directors	480 00
Total liabilities	$2,561 66

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached village dwellings. No classification is made, each policyholder paying the same rate of assessment.

It is the duty of the directors to take applications, inspect risks, collect premiums and assessments. For taking applications, the director receives $1.50 per application and 50 cents for an addition.

Small losses are adjusted by the local director, but in case of large losses the executive committee acts.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The secretary states that the largest amount insured in any one risk is $7,000.

The accounts of the company are audited annually by a committee appointed for that purpose.

Membership in the company is confined to persons affiliated with the Patrons of Husbandry.

The company issues policies to persons who have no legal title to property but who have a "prospective" interest in property.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications.

Assessments

Assessments are usually levied annually on the second Wednesday in January. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to create a surplus of about $2,000. Assessments are paid to the local director and by him transmitted to the treasurer. New members are assessed at the same rate as old members. No penalty for delinquency in payment of assessments is exacted.

Insurance in Force

On December 31, 1911, there were 1,344 policies and $4,148,170 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 10 cents for each $100 of insurance.

Bonds

No officer of the company has given bond.

Officers

The officers of the company and salaries, if any, are as follows:

President — John B. Hall, Canandaigua, N. Y.
Vice-President — E. L. Webster, Stanley, N. Y.
Secretary — Elmer Lucas, Canandaigua, N. Y., $500 per year.
Treasurer — A. H. Dewey, Clifton Springs, N. Y.
Assistant Secretary — E. S. Teall, Seneca Castle, N. Y.

The principal office of the corporation is at the residence of the secretary at Cheshire, N. Y.

THE ORLEANS COUNTY FARMERS' MUTUAL INSURANCE COMPANY

ALBION, N. Y.

Examination on condition as of September 9, 1912.
Report dated September 25, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in March, 1881, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Orleans, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a county assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on September 9, 1912, were as follows:

Assets

None.

Liabilities

Unpaid losses	$8,604 65
Borrowed money	9,500 00
Officers' fees accrued (estimated)	700 00
Overdraft due treasurer	214 12
Total liabilities	$19,018 77

Assets

At the time of examination the company had no assets. In October, however, it expects to levy its annual assessment which is expected to pay all debts.

Liabilities

The liabilities of the corporation include unpaid losses amounting to $8,604.65. The other liabilities of the company are $9,500 borrowed money, officers' fees estimated to be $700 and overdraft of treasurer's account amounting to $214.12.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached dwellings. No classification is made, each policyholder paying the same rate of assessment.

The company has fourteen directors, whose duty it is to take applications, inspect risks, collect premiums and assessments and adjust losses. For taking applications the director receives $1.50 per application.

Losses are adjusted by the local director, but in case of large losses he is assisted by two other directors.

Money is paid out on order signed by the president and secretary. Checks are signed by the treasurer.

The treasurer states that the largest amount insured in any one risk is $5,000.

A committee of policyholders audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and executive committee and all applications. In addition, I would recommend that the secretary open a cash book in which shall be entered all receipts and expenditures of the company and will show at all times the present condition of the company.

Assessments

Assessments are usually levied annually in October.

The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to raise also a small surplus, usually of from $3,000 to $4,000. Assessments are paid to the local director or some other person duly authorized and then transmitted to the treasurer. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership. A penalty of 10 per cent. is charged persons who are delinquent in paying assessments.

Insurance in Force

On December 31, 1911, there were 5,005 policies and $10,424,442 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on all policies, but charges no percentage.

Bonds

The treasurer has given a personal bond in the sum of $8,000 and each director gives bond in double the amount of the assessment to be collected by him.

Officers

The officers of the company and salaries, if any, are as follows:

President — Myron L. Parker, Medina, N. Y.
Vice-President — Marcus M. McCrillus, Holley, N. Y.
Secretary — George H. Rolff, Albion, N. Y.
Treasurer — Spencer N. Tanner, Albion, N. Y.

In lieu of a salary the secretary receives 50 cents for each policy issued, $3 per day for other services and for making out assessment 3 cents each for first 100 names and 1 cent each thereafter. The president, vice-president and treasurer receive respectively 1 cent, ½ cent and 2 cents for each policy in force at the annual meeting.

The executive committee is composed of the president, the vice-president, the secretary and the treasurer.

The principal office of the corporation is at the residence of the secretary in Albion, N. Y.

PITTSTOWN CO-OPERATIVE FIRE INSURANCE COMPANY

Pittstown, N. Y.

Examination on condition as of July 24, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company was organized in December, 1910, as a co-operative fire insurance corporation. Its certificate of incorporation sets forth its intention to transact business in the town of Pittstown in Rensselaer county and no extension beyond such territory has been made.

On January 9, 1911, the Department issued to it a certificate of authority to transact business as a town assessment corporation in the territory named above.

No previous examination of the company has been made by the Department, except the examination made to verify its original statement.

The assets and liabilities of the company on July 24, 1912, were as follows:

Assets

Cash in bank	$14 30
Total assets	$14 30

Liabilities

Borrowed money	$100 00
Total liabilities	$100 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm and village property, stores and shops. Risks are divided into two classes. The first class includes farm and village property more than 30 feet from other property, and live stock. The second class includes farm and village property less than 30 feet from other property, and stores and shops. The second class is assessed at double the rate of the first class.

The company employs agents, whose duty it is to take applications, inspect risks and collect premiums. For taking applications, the agent receives $1 per application.

Small losses are adjusted by the nearest director, but in case of large losses the whole board acts.

Money is paid out by the secretary, who signs all checks.

The secretary states that the largest amount insured in any one hazard is $4,000.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors, and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is usually based on the amount of losses which have been sustained, but is estimated to raise also a small surplus for incidental expenses. Assessments are paid to the directors or to the secretary. New members are assessed for only their proportion of losses which have occurred since they were members of the company.

Insurance in Force

On December 31, 1911, there were 376 policies and $690,720 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.50 on all policies, but no other advance fee.

Bonds

The treasurer has given a personal bond in the sum of $1,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — Charles W. Snyder, Pittstown, N. Y.
Vice-President — Elmer E. Hayner, Pittstown, N. Y.
Secretary-Treasurer — Edward E. Welling, Pittstown, N. Y.

In lieu of a salary the secretary receives 2 per cent. of sums collected and 50 cents on each policy written.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Pittstown, N. Y.

SCHOHARIE AND SCHENECTADY COUNTIES FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION

Esperance, N. Y.

Examination on condition as of May 17, 1912.
Report dated June 11, 1912.
Examiner: J. H. Middleton.

The company appears to have been organized in 1868 and incorporated by special act of the Legislature (chapter 155, Laws of 1868). This act was further amended by chapter 212 of the Laws of 1870, chapter 154 of the Laws of 1902, and chapter 75 of the Laws of 1905.

The incorporating act empowered the company to do business in the counties of Schoharie and Schenectady, and no extension beyond such territory has been made.

At the annual meeting held in May, 1912, the board of directors by resolution decided that the company take advantage of the

amendment to section 260 of the Insurance Law, which allows a company incorporated under special act to become subject to the Insurance Law. As the company has heretofore made application for a certificate of authority, filed a copy of the act incorporating it and a copy of its by-laws, in accordance with the requirements of section 260 of the Insurance Law, a certificate of authority has been issued to it by the Department.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on May 17, 1912, were as follows:

Assets

Cash in hands of treasurer	$151 84

Liabilities

Unpaid losses	$1,150 90	
Disputed loss	1,650 00	
Borrowed money	4,025 85	
Total liabilities		$6,826 75
Excess of liabilities over assets		$6,674 91

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property, village dwellings, schools and churches and contents. No classification of risks is made, all policyholders paying the same rate of assessment.

The company employs agents to take applications, make surveys and adjust small losses. For taking applications, the agents receive a policy fee of $2 each which is collected from the insured.

In the case of large losses the secretary acts for the company.

Money is paid out by the treasurer on the order of the board of directors.

Several policies are in force with more than $7,000 at risk; the secretary states, however, that in no case is more than $7,000 subject to one fire.

The accounts of the treasurer are audited annually by the committee appointed for that purpose.

Records

The secretary keeps a policy register and minutes of the meetings of the board of directors, and all applications.

The treasurer keeps a cash book in which he enters all sums paid out. In the case of borrowed money a pencil record is made in the cash book of the amount of each note given, and as each note is paid the record of it is erased from the cash book. The treasurer makes affidavit at the end of the year that all notes outstanding against the company have been paid. I would recommend that a complete record of all cash transactions be kept and that all entries in every book of the company be made in ink and kept in permanent form. I would recommend further that when the treasurer lends money to the company the latter give the treasurer its note and that a proper record thereof be made in the cash book.

Assessments

The company keeps no cash on hand but borrows money to pay losses as they occur and at the end of the fiscal year in January levies an assessment sufficient to cover all outstanding indebtedness. Assessments are paid to receivers who reside in the various towns of the counties in which the company does business. Thirty-seven such receivers were appointed in 1911. They receive 2 per cent. on all collections. In case of delinquency in payment of assessments the company charges a penalty of 10 per cent. of the assessment.

Insurance in Force

On December 31, 1911, there were 4,491 policies and $7,453,547 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $2 but charges no percentage.

Bonds

The treasurer is bonded in the sum of $10,000, four sureties signing the bond.

Officers

The officers of the company and salaries, if any, are as follows:

President — Charles Baumes, Esperance, N. Y., $100.
Vice-President — O. R. Mann, Richmondville, N. Y.
Secretary — John P. Van Vechten, Esperance, N. Y., $1,200.
Treasurer — Isaac Van Vechten, Esperance, N. Y., $400.

In addition to the above, each officer receives $3 a day and expenses for adjusting losses and the secretary is allowed $140 for printing, postage and stationery, and $60 for office hire.

The company has no executive committee.

The principal office of the corporation is at the home of the secretary in Esperance, N. Y.

SAUQUOIT VALLEY FARMERS ASSOCIATION

SAUQUOIT, N. Y.

Examination on condition as of July 31, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1878, as a voluntary co-operative fire insurance association. Its constitution sets forth its intention to transact business in the counties of Oneida and Herkimer, but later its territory was extended to include also the counties of Otsego and Madison.

On December 27, 1910, the Department issued to it a certificate authorizing it to transact business as a county assessment co-operative fire insurance corporation in the four counties named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on July 31, 1912, were as follows:

Assets

Cash in hands of secretary	$800 00
Cash in bank	2,645 81
Unpaid assessments	1,383 25
Total assets	$4,829 06

Liabilities

Unpaid losses	$35 00
Officers' salaries accrued	700 00
Total liabilities	$735 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached village residences. No classification is made, each policyholder paying the same rate of assessment.

The duties of the secretary include taking all applications, inspecting risks, collecting premiums and assessments and assisting in the adjustment of losses. All applications taken must be approved by the local director before the company will accept the risk. Directors receive $2.50 per day and 5 cents per mile traveled for services rendered to the company.

Large losses are adjusted by the three nearest directors. Money is paid out by check, signed by the treasurer.

The secretary states that the largest amount insured which is subject to a single fire is $5,000.

The executive committee audits the accounts of the company annually.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the board of directors and executive committee and all applications.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained but is estimated also to raise a surplus for future losses. Assessments are paid directly to the secretary. New members are assessed for only their per rata share of the losses which occur while they are members of the company. No penalty for delinquency in payment of assessments is charged unless legal action is brought to collect.

Insurance in Force

On December 31, 1911, there were 1,688 policies and $3,829,864 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1 on all policies. In addition to this amount it charges a percentage of 10 cents per $100 of insurance.

Bonds

The treasurer has given personal bond in the sum of $9,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — M. L. Comstock, Clinton, N. Y., $200 per annum.
Vice-President — H. S. Scott, Winfield, N. Y., nothing.
Secretary-Treasurer — J. D. C. Miller, Sauquoit, N. Y., $1,000 per annum.

The executive committee is composed of three directors.

The principal office of the corporation is at the residence of the secretary in Sauquoit, N. Y.

UTICA FIRE INSURANCE COMPANY OF ONEIDA COUNTY, N. Y.

UTICA, N. Y.

Examination on condition as of July 1, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in October, 1903, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Oneida. In October, 1904, its territory was further extended to include the counties of Madison, Chenango, Otsego and Herkimer.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advance premium co-

operative fire insurance corporation in the five counties named above.

On September 30, 1910, the company filed a certificate of intention to extend its business into fifty additional counties.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on July 1, 1912, were as follows:

Assets		
Cash in bank not at interest		$2,971 18
Cash in bank at interest		2,500 00
Agents' balances less than 3 months due		2,724 42
Agents' balances more than 3 months due		282 37
Book value of bonds		10,701 25
		$19,179 22
Non-Ledger Assets		
Accrued interest on bonds		168 75
Gross assets		$19,347 97
Deduct Assets Not Admitted		
Agents' balances more than 3 months due	$282 37	
Book value of bonds in excess of market value	81 25	
Total		363 62
Total admitted assets		$18,984 35
Liabilities		
Unearned premium liability	$7,272 00	
Total liabilities		$7,272 00
Excess of assets over liabilities		$11,712 35

Assets

The assets of the company consists of bank deposits of $2,971.18; a certificate of deposit of $2,500; agents' balances of $3,006.79, of which $282.37 has been deducted as an asset not admitted since it represents policies written more than three months prior to the date of examination. The other assets of the company comprise the following bonds:

Description of bond	Book value	Par value	Market value July 1, 1912
Chicago, Rock Island and Pacific First Refunding Gold Bonds, 4s, due 1934	$4,493 75	$5,000 00	$4,450 00
Chicago and Alton R. R. Refunding 3s, due 1949	1,462 50	2,000 00	1,420 00
Southern Pacific First Refunding Mortgage 4s, due 1955	4,745 00	5,000 00	4,750 00
Total	$10,701 25	$12,000 00	$10,620 00

Liabilities

The only liability of the company appears to be on account of unearned premiums, which was computed as follows:

Year written	Term	Total premiums in force	Unearned fraction	Unearned premiums
July 1, 1911, to July 1, 1912...	1 yr.	$10,579 75	½	$5,289 87
July 1, 1909, to July 1, 1910...	3 yrs.	1,481 09	⅙	246 85
July 1, 1910, to July 1, 1911...	3 yrs.	2,304 17	½	1,152 08
July 1, 1911, to July 1, 1912...	3 yrs.	2,881 45	⅚	2,401 20
				$9,090 00
80 per cent thereof				$7,272 00

Conflagration Hazard

It appears that the company has in force in the business section of the city of Utica, N. Y., insurance in excess of the limitation prescribed in section 267 of the Insurance Law, namely 1 per centum of the total amount of insurance in force in the company.

Expense of Management

In 1911 the total ratio of expense of management to premium income was 36 per cent. Excluding from the expense of management expenses "incurred in the inspection of risks and adjustment of losses and legal expenses connected therewith," the expense of management was 35.5 per cent. of the premium income.

Insurance in Force

On July 1, 1912, there were 2,002 policies and $1,678,064 of insurance in force.

Bonds

The bonds formerly given by the officers of the company have expired and have not been renewed.

Management

All policies are issued by the manager, who has charge of the underwriting. The company does a general business, except that no farm property is taken. The largest policy in force is for $2,000. The secretary states that except for the excess insurance in the business section of Utica, none of the conflagration limitations of section 267 of the Insurance Law have been exceeded.

Officers

The officers of the company and salaries, if any, are as follows:

President — George I. Whiffen, Utica, N. Y.
Vice-President — W. Henry Start, Utica, N. Y.
Secretary — Harriet A. Ackroyd, Utica, N. Y., $500 per annum.
Treasurer — Frederick W. Owen, Utica, N. Y.
Manager — Frank E. Holmes, New Berlin, N. Y., $500 per annum.

The principal office of the company is located at Utica, N. Y.

WEST SENECA MUTUAL FIRE INSURANCE ASSOCIATION

Ebenezer, N. Y.

Examination on condition as of September 1, 1912.
Report dated September 26, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in April, 1894, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the county of Erie, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as an advance premium co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by this Department.

The assets and liabilities of the company on September 1, 1912, were as follows:

Assets

Cash in hands of secretary		$268 37
Cash in bank		4,045 80
Unpaid premiums		160 25
Accrued interest on cash in bank		21 03
Total assets		$4,495 45

Liabilities

Unearned premiums	$1,880 01	
Unpaid bills	3 00	
Total liabilities		1,883 01
Excess of assets over liabilities		$2,612 44

Assets

The assets of the corporation include the sum of $268.37 cash in the hands of the secretary. There is also deposited in bank to the credit of the company the sum of $4,045.80. There are unpaid premiums amounting to $160.25 and accrued interest on cash in bank of $21.03.

Liabilities

The liabilities of the corporation include unpaid premium reserve amounting to $1,880.01. The only other liability of the company appears to be the sum of $3 due for printing. The unearned premium reserve has been computed in accordance with section 267 of the Insurance Law as follows:

Year written	Term	Total premiums	Unearned fraction	Unearned premiums
Sept., 1911, to Sept., 1912	1 yr.	$184 15	½	$92 07
Sept., 1909, to Sept., 1910	3 yrs.	697 70	⅙	116 28
Sept., 1910, to Sept., 1911	3 yrs.	1,286 92	½	643 46
Sept., 1911, to Sept., 1912	3 yrs.	1,728 97	⅚	1,439 14
Sept., 1909, to Sept., 1910	5 yrs.	118 13	½	59 06
Total				$2,350 01
80 per cent. thereof				1,880 01

Method of Business

Policies are issued by the secretary for the terms of one and three years. The company insures farm property, village dwellings, schoolhouses and churches and mercantile property. Risks are divided into six classes and the premium is collected in advance.

The company employs agents whose duty it is to take risks, inspect property insured and collect premiums. For taking risks, the director receives 15 per cent. of the premium on new policies, but receives no commission on renewals.

Losses are adjusted by a committee appointed by the president. Money is paid out by check signed by the secretary and treasurer.

The secretary states that the largest amount insured in any one risk is $2,000.

The accounts of the company are audited annually by an auditing committee.

Risks are passed on by the board of directors.

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors. The company does not use applications.

Insurance in Force

On December 31, 1911, there were 331 policies and $398,138 of insurance in force.

Bonds

The secretary and the treasurer have each given surety insurance bonds in the sum of $5,000.

Officers

The officers of the company and salaries, if any, are as follows:

President — Victor J. Fischer, Gardenville, N. Y., $25 per year.
Vice-President — Edward Wendling, Ebenezer, N. Y., nothing.
Secretary — Charles C. Brown, Ebenezer, N. Y., $200 per year.
Treasurer — Charles Lehning, Ebenezer, N. Y., $25 per year.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Ebenezer, N. Y.

THE WILTON MUTUAL FIRE INSURANCE COMPANY

WILTON, N. Y.

Examination on condition as of August 29, 1912.
Report dated August 30, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in April, 1894, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the town of Wilton, county of Saratoga, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate authorizing it to continue business as a town assessment co-operative fire insurance corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on August 29, 1912, were as follows:

Assets

Cash in hands of treasurer (estimated)	$100 00
Total assets	$100 00

Liabilities

Unpaid losses (not due)	$600 00
Total liabilities	$600 00

Assets

The assets of the corporation include cash in the hands of the treasurer which the secretary estimates to amount to $100. I would recommend that the secretary keep a record of all sums in the hands of the treasurer.

Liabilities

The liabilities of the corporation consist of an unpaid loss amounting to $600. This loss was incurred recently and no assessment has yet been levied to meet it.

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property and detached village residences. Risks are divided into three classes according to the structure and condition of the buildings and the third class is further subdivided into five classes according to the distance between the property insured and other buildings. The rates and distances are prescribed in the by-laws.

The company employs two agents whose duty it is to take applications and make surveys. For taking the applications and making the survey the agents receive $1 per application.

Losses are adjusted by a committee of three directors who are appointed by the board of directors.

Money is paid out by the treasurer usually by check.

The secretary states that the largest amount insured in any one risk is $3,900.

The executive committee passes on all applications.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members and of the board of directors and all applications. In addition I would recommend that he keep minutes of the meetings of the executive committee as required by the by-laws.

Assessments

Assessments are levied only when necessary to pay losses.

The amount of the assessment is based on the amount of losses which have been sustained, but is sometimes estimated also to raise a small surplus for expenses. Assessments are paid to the local director and by him transmitted to the secretary. New members are assessed for only their pro rata share of losses and expenses incurred during their period of membership.

Insurance in Force

On December 31, 1911, there were 89 policies and $115,837 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $1.25 on all policies. In addition to this amount it charges a percentage of 10 cents on each $100 of insurance.

Bonds

The president states that the treasurer has given a personal bond in the sum of $1,200.

Officers

The officers of the company and salaries, if any, are as follows:

President — E. J. Smith, R. D. 2, Saratoga Springs, N. Y.
Vice-President — Charles H. Carr, R. D. 2, Saratoga Springs, N. Y.
Secretary — William F. Hodges, R. D. 2, Saratoga Springs, N. Y.
Treasurer — Charles J. Waller, Saratoga Springs, N. Y.

In lieu of a salary the secretary receives 25 cents for each policy issued and is paid by the hour for his time in making out assessments.

The executive committee is composed of the president, the vice-president and the secretary.

The principal office of the corporation is at the residence of the secretary at Wilton, N. Y.

WHITE CREEK FIRE INSURANCE COMPANY

EAGLE BRIDGE, N. Y.

Examination on condition as of July 24, 1912.
Report dated August 9, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1895, as a co-operative fire insurance company. Its certificate of incorporation sets forth its intention to transact business in the town of White Creek in Washington county, and no extension beyond such territory has been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as a town assessment corporation in the territory named above.

No previous examination of the company has been made by the Department.

The assets and liabilities of the company on July 24, 1912, were as follows:

Assets

Cash in hands of treasurer	$43 25
Total assets	$43 25

Liabilities

Unpaid losses	$10 00
Total liabilities	$10 00

Method of Business

Policies are issued by the secretary for the term of five years. The company insures farm property only. No classification is made, each policyholder paying the same rate of assessment.

The duties of the secretary include taking applications, inspecting risks, collecting fees, making assessments and assisting in the adjustment of losses.

Large losses are adjusted by the board of directors.

The secretary states that the largest amount insured in any one risk is $4,000.

Records

In accordance with the requirements of the by-laws, the secretary keeps a policy register, minutes of the meetings of the members, and of the board of directors.

Assessments

Assessments are levied only when necessary to pay losses. The amount of the assessment is based on the amount of losses which have been sustained, but it is estimated to raise also a small sum for expenses. New members are assessed for only their share of losses and expenses incurred while they are members of the company.

Insurance in Force

On December 31, 1911, there were 147 policies and $332,860 of insurance in force.

Advance Payment

The company charges in advance a policy fee of $2 on all policies but charges no percentage.

Bonds

No officers of the company are bonded.

Officers

The officers of the company and salaries, if any, are as follows:

President — John C. Cottrell, Eagle Bridge, N. Y.
Secretary — S. B. Sweet, Eagle Bridge, N. Y.
Treasurer — John C. Cottrell, Eagle Bridge, N. Y.

In lieu of a salary the secretary receives $1 on each application taken by him.

The company has no executive committee.

The principal office of the corporation is at the residence of the secretary in Eagle Bridge, N. Y.

WYOMING VALLEY FIRE INSURANCE COMPANY

WARSAW, N. Y.

Examination on condition as of June 1, 1912.
Report dated June 19, 1912.
Examiner: J. H. Middleton.

This company appears to have been organized in February, 1892, as a co-operative fire insurance corporation. Its certificate of incorporation sets forth the intention of the directors to transact business in Wyoming county. On May 19, 1906, it filed a certificate of intention to extend its business into four additional counties, namely, Genesee, Livingston, Allegany and Erie.

The name of the corporation as set forth in its original certificate of incorporation was "Wyoming County Farmers Alliance Co-operative Fire Insurance Company." On January 1, 1898, the name was changed to the "Wyoming County Co-operative Fire Insurance Company" and on July 1, 1907, it was again changed to the "Wyoming Valley Fire Insurance Company."

On December 27, 1910, the Department issued to it a certificate authorizing the company to continue business as an advance premium corporation in the five counties named above.

On April 13, 1911, the company filed a certificate of intention to extend into twenty-six additional counties.

The only previous examination of the company was made by this Department in September, 1909.

The assets and liabilities of the company on June 1, 1912, were as follows:

Assets

Cash in bank	$14,664 33
Agents' balances less than 3 months due	7,246 36
Agents' balances over 3 months due	848 30
Total	$22,758 99
Deduct Assets Not Admitted	
Agents' balances over 3 months due	848 30
Total admitted assets	$21,910 69

Liabilities

Unearned premiums	$27,922 88
Unpaid losses	1,650 50
Total liabilities	$29,573 38

Assets

The principal asset of the company is the sum of $14,664.33 cash which is deposited in the Wyoming County National Bank of Warsaw, N. Y. The bank pays interest on the company's entire monthly balance. The only other asset of the company appears to be the sum of $8,094.66 due from agents. Of this sum $848.30 represents policies written more than three months prior to the date of examination and have, therefore, been deducted as an asset not admitted by the Insurance Law.

Liabilities

The principal liability of the company is on account of unearned premiums which amount to $27,922.88. The only other liability of the company appears to be $1,650.50 due for losses.

Unearned Premiums

The unearned premium has been computed in accordance with section 267 of the Insurance Law. The figures by which the total was arrived at are as follows:

Year written	Term	Gross premium charges	Fraction unearned	Amount of premium unearned
June 1, 1911, to May 31, 1912..	1 yr.	$8,124 83	½	$4,062 41
June 1, 1909, to May 31, 1910..	3 yrs.	14,461 20	⅙	2,410 20
June 1, 1910, to May 31, 1911..	3 yrs.	16,619 38	½	8,309 69
June 1, 1911, to May 31, 1912..	3 yrs.	24,145 55	⅚	20,121 30
Total				$34,903 60
80 per cent thereof.....				27,922 88

Records

In accordance with the requirements of the by-laws the secretary keeps a policy register and minutes of the proceedings of the board of directors and executive committee. In addition I would recommend that the company keep a permanent record of unearned premiums on a monthly basis and revise its method of keeping the cash book by entering in income all sums received and in disbursements all sums paid out, so that the difference between the two sides of the account will show the exact amount of cash on hand at all times.

Expense of Management

The expense of management of the company in 1911 was 26.9 per cent. of the premium income.

Conflagration Hazard

In the annual statement the secretary states that the company has not exceeded the conflagration limitations of section 267 of the Insurance Law. There appears to be, however, no complete record in the office of the company to verify this statement but a card system classifying all risks by towns, streets and sides of streets is now being started.

Bonds

The secretary has given a personal bond in the sum of $10,000 signed by one surety and the treasurer has given a personal bond in the sum of $15,000 signed by two sureties.

Officers

The officers of the company and salaries paid in 1911 are as follows:

President — A. N. Peckham, Pike, N. Y., $100 per annum.
Vice-President — E. W. Cooper, Perry, N. Y., nothing.
Secretary — W. W. Smallwood, Warsaw, N. Y., $1,200 per annum.
Manager — W. W. Smallwood, Warsaw, N. Y., $610.
Treasurer — W. H. Roeper, Wyoming, N. Y., nothing.

The executive committee is composed of the president, the vice-president, the secretary, the treasurer and one director.

The principal office of the corporation is at Warsaw, N. Y.

UNION MUTUAL FIRE INSURANCE COMPANY OF SCHOHARIE COUNTY

Middleburgh, N. Y.

Examination on condition as of December 9, 1912.
Report dated February 4, 1913.
Examiner: J. H. Middleton.

This company appears to have been organized in May, 1905, as a co-operative fire insurance corporation. Its certificate of incorporation sets forth its intention to transact business in the county of Schoharie, and no extension beyond such territory has ever been made.

On December 27, 1910, the Department issued to it a certificate of authority to continue business as an advance premium co-operative fire insurance corporation in the territory named above.

The only previous examination of the company was made by an examiner of the Department on November 16, 1909.

The assets and liabilities of the company at the close of business on December 9, 1912, were as follows:

Assets

Undeposited check	$27 98
Cash in bank	81 62
Due from agents	129 15
Total assets	$238 75
Deduct Assets Not Admitted	
Undeposited check	27 98
Total admitted assets	$210 77

Liabilities.

None.

The assets of the company include an undeposited check for $27.98. Inasmuch as this check was dated in July, 1912, but never deposited, I have not allowed it as an asset. There is also deposited in bank to the credit of the company the sum of $81.62. I find on the book agents' balances due the company amounting to $29.15, all of which have been due for at least one year.

The company keeps no loss claim register. I was, therefore, unable to verify from any record whether all such claims had been met. The secretary states, however, that there are no loss claims outstanding or any other unpaid bills.

Discontinuance of Business

From the records of the company it appears that no policies were written during the year 1912. It appears that a number of the policies outstanding were cancelled and such risks placed in other companies. The larger part of the balance of the outstanding policies were taken over by the Merchants and Farmers' Mutual Fire Insurance Company of Schoharie and Albany Counties under an "assumption agreement," a copy of which is attached hereto. In case the assured did not choose to accept the "assumption agreement" the secretary states that the unearned premium was tendered the assured. The company paid the Merchants and Farmers' Mutual Fire Insurance Company the sum of $96.80, estimated to be the amount of the unearned premium on the policies assumed by the said company. In a few cases the company is unable to produce evidence, either in the form of an assumption agreement or of a surrendered policy, that its outstanding contracts have been cancelled or assumed by another company.

The secretary states that it is the desire of the board of directors that the company's affairs be terminated and it be dissolved.

Records

In accordance with the requirements of the by-laws, the company keeps a policy register, but the minutes of the board of directors have never been written up but merely consist of fragmentary notes on loose sheets.

Bonds

No officers or agents of the company have given bonds.

Officers

The officers of the company are as follows:

President — Daniel D. Frisbie.
Secretary — George B. Frisbie.
Treasurer — Olin A. Snyder.

Life Insurance Companies

MANHATTAN LIFE INSURANCE COMPANY

New York, N. Y.

Examination on condition as of December 31, 1911.
Report dated July 8, 1912.
Examiner: Henry A. Watkins.
Assistant Examiners: Cunningham, Derrick, Feder, Heath, Lynch, Norton, Van Tuyl, Wheeler and Wood.

Examination of Dividend System
Report dated April 9, 1912.
By Harwood E. Ryan, Assistant Actuary.

As the examination was started so late in the year, it was thought best to bring it down to the end of the year. By so doing, the work of the past four years has been examined and the annual statement of the company for 1911 has been checked.

History

The Manhattan Life Insurance Company is a stock corporation. It was incorporated May 29, 1850, under chapter 308 of the Laws of 1849, and the first policy was placed on its books August 1, 1850. It has a guarantee capital of one hundred thousand dollars, divided into shares of fifty dollars each. The corporate powers are vested in a board of directors and such officers and agents as they may appoint. The board consists of thirty-six members, a majority of whom must be citizens of the State of New York, and at least one-half of whom shall be proprietors of at least ten shares each of the guarantee capital. The remaining one-half may be either insurers of life policies paying premiums to the company of at least one hundred dollars per annum, or persons entitled to annuities of at least the same amount annually. Twelve directors are elected each year for a term of three years, or until their successors are elected. Every shareholder is entitled to one vote for each share standing in his name and any person insured for life paying a premium of not less than seventy-five dollars yearly, or entitled to an annuity of not less than seventy-five dollars annually, shall, in like manner, be entitled to one vote. Votes may be given in person or by proxy duly authorized in writing.

DIVISION OF PROFITS

The charter provides that one-eighth of the profits shall be paid to the stockholders and the remaining seven-eighths shall be issued in scrip to the policyholders once every three years. Before ascertaining and dividing profits, provision is made for the payment of interest not exceeding 7 per cent. to the holders of the guarantee capital and not exceeding 6 per cent. to the holders of scrip. Should the funds be insufficient to meet both interest payments, the interest on capital is to be paid first and the balance divided pro rata among holders of scrip. A further provision allows the retirement of outstanding scrip whenever it amounts to $500,000 by applying further profits to such retirement and issuing new scrip for the profits of each year. Outstanding scrip is liable to assessment for losses of the company.

No scrip is outstanding at the present time and none has been issued for many years as the company claims the right, under former section 83 of the Insurance Law, to distribute profits to policyholders in cash.

From 1850 to 1864, the records of the company are incomplete and it is impossible to accurately determine the amounts paid stockholders and policyholders. From 1865 to 1911 inclusive stockholders have received dividends amounting to $1,150,000, and policyholders have received $8,184,335.89. It is evident from these figures that the aggregate payments are not in the exact proportion of one-eighth and seven-eighths. Using the amount paid policyholders as a basis, the stockholders would be entitled to $1,169,190.84, of which amount $1,150,000 has been paid.

The following statement shows the income and disbursements for the year 1911 and the condition of the company on December 31, 1911:

Income

First year's premiums, less $7,591.16 reinsurance	$186,772 42	
Dividends applied to purchase paid-up additions and annuities	6,927 66	
Consideration for original annuities involving life contingencies	4,000 00	
Total new premiums		$197,700 08

Renewal premiums, less $26,972.52 reinsurance.	$1,953,111 77	
Dividends applied to pay renewal premiums..	56,962 31	
Surrender values applied to pay renewal premiums	2,143 92	
Total renewal premiums		$2,012,218 00
Total premium income		$2,209,918 08
Consideration for supplementary contracts not involving life contingencies		62,000 00
Dividends left with the company to accumulate at interest..		1,732 21
Interest on mortgages	$413,748 59	
Interest on bonds and dividends on stocks, less $2,566.67 accrued interest on bonds acquired in 1911	167,168 33	
Interest on premium notes, policy loans or liens	180,699 39	
Interest on deposits in banks and trust companies	12,472 29	
Interest on other debts due the company	550 77	
Rent from company's property, including $51,500 for company's occupancy of its own buildings	270,890 00	
Total interest and rents		1,045,529 37
From other sources:		
Claim collected from Mutual Life Insurance Company on Richard J. Ball policy		10,083 00
Suit of company vs. Richard Deeves & Son, compromised for..		4,000 00
Legal expenses repaid by an agent		100 00
Repayment of forged check account of policy loan		44 00
From agents' balances previously charged off		434 35
Gross profit on sale of stocks		2,963 74
Gross increase, by adjustment in book value of bonds		3,221 00
Total income		$3,340,025 75
Ledger assets December 31, 1910		20,859,200 97
Total		$24,199,226 72

Disbursements

Death claims (less $60,228 reinsurance)	$1,257,447 22	
Additions	2,758 00	
		$1,260,205 22
Matured endowments		85,826 00
Net death claims and matured endowments		$1,346,031 22

Annuities involving life contingencies		$9,536 69
Premium notes and liens voided by lapse, less $6,011.06 restorations		13,226 97
Surrender values paid in cash		598,388 58
Surrender values applied to pay new premiums.	$7,217 91	
To pay renewal premiums	2,143 92	
		9,361 83
Dividends paid in cash		145,195 21
Dividends applied to pay renewal premiums		56,962 31
Dividends applied to purchase paid-up additions and annuities.		6,927 66
Dividends left with company to accumulate at interest		1,732 21
(Total paid policyholders $2,187,362.68)		
Expense of investigation and settlement of policy claims, including $50 for legal expense		2,396 97
Claims on supplementary contracts not involving life contingencies		4,228 67
Dividends and interest thereon, held on deposit, surrendered during the year		389 77
Paid stockholders:		
Interest	$7,000 00	
Dividends	9,000 00	
		16,000 00
Commissions to agents (less commissions on reinsurance):		
First year's premiums	$84,604 38	
Renewals	121,540 55	
Annuities	120 00	
		206,264 93
Agency supervision and traveling expenses of supervisors and agents		10,830 27
Branch office expenses, including salaries of managers and clerks		24,628 87
Medical examiners' fees, $11,137.15; inspection of risks, $4,315.21		15,452 36
Salaries and all other compensation of officers, directors, trustees and home office employees		116,603 25
Rent, including $51,500 for company's occupancy of its own buildings, less $200 received under sub-lease		66,408 79
Advertising $5,139.56; printing and stationery, $7,405.06; postage, telegraph, telephone and express, $9,051.61; exchange, $1,276.16		22,872 39
Legal expenses		16,660 45
Furniture, fixtures and safes		1,129 00
Repairs and expenses (other than taxes) on real estate		95,824 22
Taxes on real estate		79,928 00
State taxes on premiums		36,081 14
Insurance department licenses and fees		4,015 17

All other licenses, fees and taxes:		
Federal corporation tax	$1,686 93	
County and municipal licenses and taxes	958 49	
Legal advertising	731 37	
		$3,376 79
All other disbursements		18,239 46
Gross decrease, by adjustment in book value of bonds		2,413 00
Total disbursements		$2,931,106 18
Balance		$21,268,120 54

Ledger Assets

Book value of real estate	$5,474,840 73
Mortgage loans on real estate	7,931,690 71
Loans to policyholders on this company's policies assigned as collateral	3,517,206 07
Premium notes on policies in force, of which $13,213.17 is for first year's premiums	216,173 10
Book value of bonds, $3,597,421, and stocks, $183,901.25	3,781,322 25
Cash in company's office	9,214 30
Deposits in trust companies and banks not on interest	25,000 00
Deposits in trust companies and banks on interest	288,943 59
Agents' balances, net	23,729 79
	$21,268,120 54

Non-Ledger Assets

Interest accrued on mortgages	$165,506 09	
Interest accrued on bonds	56,064 10	
Interest due, $45,710.04, and accrued, $8,168.94, on premium notes, policy loans or liens	53,878 98	
Interest accrued on bank deposits	2,744 61	
Rents due, $4,236.29, and accrued, $8,018.33	12,254 62	
Total interest and rents due and accrued		290,448 40
Net uncollected and deferred premiums		167,859 24
Gross assets		$21,726,428 18

Deduct Assets Not Admitted

Agents' debit balances	$24,274 32	
Premium notes and policy loans in excess of the reserve	17 34	
Book value of ledger assets over market value, viz.:		
Stocks	62,401 25	
Real estate	99,640 73	
		186,333 64
Total admitted assets		$21,540,094 54

Liabilities

Legal reserve on policies outstanding December 31, 1911		$19,265,644 00
Deduct net value of risks reinsured		109,067 00
Net reserve		$19,156,577 00
Present value of supplementary contracts not involving life contingencies		85,437 00
Liability on policies cancelled and not included in net reserve.		3,729 00
Claims for death losses due and unpaid	$3,746 75	
Claims for death losses in process of adjustment	30,204 00	
Claims for death losses incurred for which no proofs have been received	71,652 00	
Claims for matured endowments due and unpaid	1,869 09	
Claims for death losses and other policy claims resisted by the company	23,376 44	
Due and unpaid on annuity claims involving life contingencies	414 32	
Total policy claims		131,262 60
Dividends left with the company to accumulate at interest, and accrued interest thereon		4,600 75
Premiums paid in advance		23,473 94
Unearned interest and rent paid in advance		89,069 48
Commissions due to agents on premium notes when paid		12,702 51
Commissions to agents, due or accrued		2,260 00
Salaries, rents, office expenses, bills and accounts due or accrued		7,883 21
Medical examiner's fees due or accrued		1,320 00
Estimated amount hereafter payable for federal, state, or other taxes based upon the business of the year of this statement		39,500 00
Dividends or other profits due policyholders, including those contingent on payment of outstanding and deferred premiums		20,886 47
Dividends apportioned to annual dividend policies payable in 1912		23,060 64
Dividends apportioned to deferred dividend policies payable in 1912		54,612 48
Amount to provide for claims on policies providing for automatic paid-up insurance and which were cancelled for loans.		25,000 00
Capital		100,000 00
Surplus (including $1,711,272.64 deferred dividend fund)		1,758,719 46
Total liabilities		$21,540,094 54

Income and Disbursements

The correctness of the premium income was established by an examination, in detail, of the agents' accounts. Taken in connection with the contracts under which the agents worked, the commissions paid, as well as other disbursements of the agents, were verified. The totals of the accounts were checked to the company's books. The receipts from interest and rents were checked with the company's records and found to be correct. All miscellaneous items of income were verified. The amounts paid for death claims and matured endowments were checked from the papers to the company's books. The details of this work will be discussed later in this report.

Vouchers for disbursements were examined and checked to the cash book or journal. While most of the vouchers are in proper form, there are some, notably those for traveling expenses, which are incomplete. As a rule these vouchers consist merely of a receipt for so many dollars without any attempt to itemize the disbursements as required by section 99 of the Insurance Law.

Assets — *Real Estate*

The company owns twelve pieces of real estate consisting of its home office building, an office building in Philadelphia and various parcels acquired under foreclosure. The time for disposal of the property acquired under foreclosure has in each case been extended beyond the date of this examination. As at the time of the last examination, there is considerable vacant space in the home office building which the agents do not seem able to rent. This is very disadvantageous to the company as the building represents about one-quarter of its entire assets. The following table shows the gross rental, operating expenses and net income from the building for the past four years:

	Gross Rental	Operating Expenses	Net Income
1908	$262,960 38	$143,769 11	$119,191 27
1909	243,402 82	136,801 63	106,601 19
1910	222,124 78	139,456 10	82,668 68
1911	220,816 04	141,323 72	79,492 32

The recent appraisals of the real estate made by this department have decreased the market value $442,759.

Mortgage Loans

A large proportion of the invested assets of the company are loans secured by bonds and mortgages. The total investment on December 31, 1911, amounted to $7,931,690.71, representing an aggregate of 187 individual loans. A large percentage are on lofts and apartment houses in New York City. The average rate of interest running on these loans on December 31 was 5.188 per cent., the recent loans having been made at an average of 5.45 per cent. The total amount invested in new loans during 1911 was $657,760.

All applications for mortgage loans must be submitted to the executive committee. If the loan is approved by this committee it is then passed on by the company's counsel and, if approved, is then consummated.

Policy Loans

Loans are made on practically all policies issued by the company. On issues prior to June, 1888, all loans are made at 6 per cent.; on issues from that time till 1901, loans on survivorship dividend policies and on certain policies containing guaranteed loan values are made at 5 per cent. and on other issues at 6 per cent.; on all issues from 1901 to date loans draw 5 per cent. Most of the interest is payable in advance. The papers in each case were examined and a list made as of December 31, which was found to agree with the ledger account. The company reconciles the loans with the ledger balance only once a year. It was suggested to the officers that by installing a set of loan cards more frequent reconcilements could be made and with less labor than at present. Several errors in the rate of interest charged were found. In cases where overcharges had been made the excess was refunded. Several loans are drawing 5 per cent. which should have been made at 6 per cent.

Bonds and Stocks

The bonds and certificates of stock were examined and counted. All are in possession of the company except $10,000 City of Richmond 4's, which are on deposit with the state of Virginia, $100,000 State of New York Highway Improvement 4's which are on

deposit in Albany, and $100,000 Metropolitan Street Railway Company (Kansas City, Mo.) 5's which are deposited with the Bankers Trust Company of New York under a protective bondholders agreement. During the year the company disposed of its holding, 115 shares of the stock of the Mechanics and Metals National Bank of New York, at a profit of $2,963.74.

Cash

The cash in office was counted on the morning of January 2, 1912, and found correct. Cash in bank was verified by certificates from the various banks showing the amount to the credit of the company on December 31, 1911. These certificates were reconciled with the company's books by means of pass books and cancelled checks.

Interest Due and Accrued

The accrued interest on mortgage loans and bonds was computed and found to agree with the company's figures.

A detailed computation is not made in determining the due and accrued interest on premium notes, policy loans or liens. The method used by the company was carefully examined and the result obtained is approximately correct.

The accrued interest on bank deposits was verified by statements of account rendered by the several banks.

Rents Due and Accrued

The amounts stated under this heading were found to be correct.

Deferred and Unreported Premiums

The company's lists of deferred and unreported premiums were checked and found to be correct. The company deducts 21¾ per cent. loading which the actuary claims is the average loading as shown by the business of the first eleven months of the year.

Liabilities — *Reserve*

This company reports to the department its data for valuation as follows: A seriatim list of policies for issues of the last three years and groups of policies by age, kind and year of issue for

issues prior to that time. The groups representing issues up to and including 1902 were established at the time of the last examination. The present status of these groups was found by means of the cancellation, revival and change cards. Groups covering the issues of 1903 to 1908 inclusive were checked with the company's valuation cards. These cards were then arranged numerically and checked with the policy registers, thereby establishing the correctness of the groups. The issues of 1909, 1910 and 1911 being arranged numerically in the department registers were checked directly with the policy registers. The accuracy of the policy registers for the last four years was thoroughly tested by means of the applications.

CANCELLED POLICIES

The company carries a liability of $3,729 to cover surrender values which may be demanded on lapsed policies.

Between June, 1891, and January 1, 1909, certain policies, against which there was indebtedness in the shape of policy loans, lapsed for nonpayment of premiums. Notwithstanding the fact that the policies provided for automatic paid-up insurance, they were cancelled because the loan agreement provided that any equity must be claimed within two months. Quite a number of death claims have risen during the past four years on these policies. In each case the company has revived the policy as paid-up insurance, and paid it less the accumulated indebtedness. Instead of cancelling the insurance where an equity existed, the company should have set up the paid-up insurance, subject to the indebtedness, and carried it until such time as the indebtedness equalled the reserve.

The officers claim that the item of $25,000 carried in the liabilities as an "amount to provide for any possible depreciation, or other liability" is to provide for any liability on account of these policies. That being the case, it should be so stated in the financial statement. In order to test the sufficiency of this amount, a list was made of all the policies so cancelled representing about $3,500,000 of original insurance. After setting up the paid-up insurance in a number of cases, and computing both the reserve and the indebtedness to the anniversary of the policy in 1911, it

was found that the policyholder's equity had been exhausted in a majority of cases and that the remaining equities were comparatively small. It is the opinion of the examiners that the liability carried is ample.

Death Claims and Matured Endowments

Considerable time was devoted to the examination of death claims. The work covered a period of four years from January 1, 1908, to January 1, 1912. It involved an examination of claim settlements, treatment of policyholders and beneficiaries, testing the accuracy of computations for additions to or deductions from the face of claims, and a thorough checking of cash book and journal entries.

Outstanding Bills

By examining the paid vouchers for January and February, 1912, it was found necessary to increase company's liability on this account by $2,448.21.

Dividends

Lists of dividends due and unpaid, and of those payable in 1912, were submitted by the company and checked by the examiners. The deferred dividend fund was also tested. The liability on account of dividends appears to be correctly stated.

Mr. Harwood E. Ryan, assistant actuary of the Department, has investigated the dividend system and his report thereon, and also upon the schedules pertaining thereto, accompanies this report.

Other Liabilities

All other items of liability have been checked and found correct.

Prizes

Mr. John Landers, a director of the company and manager of the San Francisco agency, has offered a loving cup to the agency showing the greatest percentage of increase in new business for the year 1912. Competition is open to agencies which wrote $100,000 of new business in 1910.

Mr. F. L. Morrell, manager of the Chicago agency, has offered an umbrella and cane to the agent who writes the most business during the year.

GAIN AND LOSS EXHIBIT

In the exhibit as filed by the company the gross premiums of the year are understated $920.63. This was caused by using net instead of gross uncollected premiums in making the adjustment. As the loadings on premiums actually paid are listed each month and the aggregate amount adjusted in the same manner as the gross premiums this error does not affect the final result. The work for the month of December was checked in detail, and while many clerical errors were found, it is not thought that the final result was materially affected thereby. In the future this work will be carefully checked.

The loss from loading has been increased $941.25, representing additional expenses unpaid December 31, 1911.

The gain from interest has been decreased by $1,506.96, representing additional investment expenses unpaid December 31, 1911.

The gain from mortality has been increased $4,440 on account of the reduction in liability for death claims.

In other respects the exhibit is correct.

Below is given a comparative statement of the gains and losses for the past four years.

	1908		1909		1910		1911	
	Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss
Loading	.....	$9,220	.....	$26,071	.....	$50,640	.....	$39,616
Interest	$71,069	.....	$142,417	.....	$132,288	.....	$111,201	.....
Mortality	181,789	.....	52,481	.....	94,142	.....	120,141	.....
Annuities	.....	3,195	348	.....	.....	4,212	6,922	.....
Surrenders, lapses and changes	76,496	.....	52,173	.....	22,426	.....	58,619	.....
Dividends to stockholders	.....	20,000	.....	26,000	.....	20,000	.....	16,000
Dividends to policyholders	.....	165,359	.....	372,283	.....	262,615	.....	292,342
Special funds	.....	50,000	25,000	.....	.....	.....	.....	.....
Profit and loss	.....	263	.....	6,543	.....	214	14,617	.....
Real estate	.....	8,600	304,474	.....	35,679	.....	.....	443,029
Stocks and bonds	72,544	.....	56,967	2,793	35,194	20,680	9,960	.....
Assets not admitted	199	.....	9,946	.....	8,501	.....	.....	6,466
Merger of Mechanics with National Copper Bank	.....	.....	.....	.....	2,415	.....	.....	.....
Unaccounted for, etc	.....	2,585	.....	6,096	.....	568	.....	175
Surplus increase	.....	142,875	.....	204,020	.....	.....	.....	.....
Surplus decrease	.....	.....	.....	.....	28,284	.....	476,168	.....
Total	$402,097	$402,097	$643,806	$643,806	$358,929	$358,929	$797,628	$797,628

GENERAL REMARKS

During the progress of this examination the examiners have had free access to all the records of the company. The officers and employees have at all times given any needed information and it seems to be the desire of all concerned to comply both with the provisions of the Insurance Law and the wishes of the Department.

Dividend System of the Manhattan Life Insurance Company.

The Manhattan Life is a "mixed' company with a paid-up capital of $100,000. The charter originally contemplated the payment of profits to policyholders in the form of interest-bearing scrip. So far as could be ascertained no scrip has been issued for many years and none is now outstanding. Section 83 of the insurance law of 1872 apparently justifies the payment of cash dividends where the policy contract so provides, thus nullifying any charter provision to the contrary. One-eighth of the profits is fixed by the charter as the share thereof belonging to stockholders; the remaining seven-eighths are required to be distributed to policyholders. This is referred to at greater length in the examiner's report.

The company's dividend year runs from April 15th, and the dividends to be apportioned are decided upon by the "Committee on Allotment of Dividends to Policyholders," which meets each year after the figures of the annual statement have been prepared, and it is definitely known what the surplus earnings have been for the calendar year preceding. This committee makes its recommendation to the board of directors, and upon such recommendation the board bases its action with reference to declaration of dividends to policyholders.

Participating Business

Prior to 1907 the company issued both participating and non-participating business. It now writes participating policies only. The following table shows the movement of the participating business (both deferred and annual dividend) for the past five years:

Participating Business Outstanding

At December 31	Deferred dividend	Annual dividend	Total
1907	$49,728,000	$11,051,000	$60,779,000
1908	46,415,000	13,505,000	59,920,000
1909	42,505,000	15,490,000	57,995,000
1910	40,000,000	19,233,000	59,233,000
1911	38,500,000	21,637,000	60,137,000

A large part of the terminated business seems to be due to the maturity of deferred dividend policies. Many of these are

surrendered at the close of the dividend period, although some continue as annual dividend policies.

ANNUAL DIVIDENDS

According to the system now in use the company's standard annual dividend scale is calculated by a two-factor formula as follows:

1. *Excess interest* — allowed as the difference between 4⅛ per cent. and the rate used in computing the reserve. In the case of paid-up policies the interest rate for dividends is 4½ per cent. The explanation given for this is that the paid-up policies yield a small mortality profit which is not properly available for expenses.

2. *Loading* — refunded at the rate of 50 per cent. of itself. On policies which have been in force longer than twenty-five years the percentage is graded up to 90 per cent. The full dividend produced by this formula was paid in the dividend years commencing April 16, 1908 and 1909 respectively. For the dividend years commencing April 16, 1910, 1911 and 1912 the standard dividend scale has been reduced 20 per cent., owing to the smaller surplus earnings realized in the calendar years preceding such dividend years.

The standard annual dividend scale for policies valued at 3 per cent. is based upon the premium rates in use from 1901 to 1906 inclusive. These, while treated as 3 per cent. rates, have been calculated upon the basis of the American 3½ per cent, net premium loaded 20 per cent. of itself, plus 16 per cent. of the net ordinary life premium, plus a constant of 80 cents per thousand. The present 3 per cent. premium rates are based upon the American 3 per cent. net premium with a loading of 12 per cent. of the net, plus 13 per cent. of the net ordinary life premium, thus approximating the lowest participating rates in general use at the present time.

The following table gives specimen annual dividends, calculated upon the standard scale:

Formula: 50% of American 3% loading,
1⅛% of American 3% mean reserve.

ORDINARY LIFE — AGE 35 — PREMIUM $27.88

Policy year	50% loading	Excess interest	Standard dividend	80% for 1911
1	3.40	.19	3.59	2.87
2	3.40	.34	3.74	2.99
3	3.40	.48	3.88	3.10
4	3.40	.64	4.04	3.23
5	3.40	.80	4.20	3.26

20-PAYMENT LIFE — AGE 35 — PREMIUM $36.87

1	3.51	.29	3.80	3.04
2	3.51	.54	4.05	3.24
3	3.51	.80	4.31	3 45
4	3.51	1.07	4.58	3 66
5	3.51	1.35	4.86	3.89

20-YEAR ENDOWMENT — AGE 35 — PREMIUM $52.13

1	5.08	.43	5.51	4.41
2	5.08	.83	5.91	4.73
3	5.08	1.23	6.31	5.05
4	5.08	1.66	6.74	5.39
5	5.08	2.10	7.18	5.74

These dividends, it will be noted, do not agree with the specimen figures contained in the company's annual statement. This is accounted for by the change of premium rates in 1907 and again in 1908. By making allowance for these changes the dividends appearing in the annual report are reproduced.

DEFERRED DIVIDENDS

These are determined by accumulating the annual dividends provisionally apportioned to each deferred dividend policy. As the best means of showing how this is done a specimen calculation is subjoined. At the end of a deferred dividend period summations are made of the surplus which has been forfeited on terminated policies. This is then compared with the aggregate surplus accumulations on policies in force and the ratio thus produced is applied to increase proportionately the individual policy dividend. The ratio for the 20-year class which matured in 1911 was .5895, produced as follows:

(a)	Total accumulations in force	$84,186
(b)	Same on terminated policies	49,625

Ratio of (b) to (a)=.5895

The corresponding factor for each of the past four years and for 1912 is as follows:

1908	.4490
1909	.5861
1910	.5686
1911	.5895
1912	.5494

Calculation of 20-Year Deferred Dividend Paid in 1911

POLICY 73589 — ISSUED 1891 — 20-PAYMENT LIFE — AGE 30 — AMOUNT $1,000 — PREMIUM $31.10.

Year	Annual dividend apportioned	Rate of interest used		With interest carried forward
		In accumulation	To obtain the annual dividend	
1892	1.59	4%	4 7/10%	1.67
1893	1.70	4%	4 7/10%	3.37
1894	2.12	4%	4 7/10%	5.61
1895	2.24	4%	4 7/10%	8.09
1896	2.37	4%	4 7/10%	10.78
1897	.83	4%	4 7/10%	12.05
1898	.88	4%	4 7/10%	13.41
1899	1.39	4%	4 7/10%	15.32
1900	1.76	4%	4 7/10%	17.68
1901	2.14	4%	4 7/20%	20.54
1902	2.22	3½%	4 7/20%	23.50
1903	2.29	3%	4 7/20%	26.51
1904	2.37	3%	4 7/20%	29.69
1905	2.47	3%	4 7/20%	33.06
1906	2.57	3%	4 7/20%	36.62
1907	2.66	3%	4 7/20%	40.39
1908	4.33	4⅛%	4⅛%	46.37
1909	4.37	4⅛%	4⅛%	52.64
1910	3.53	4%	4 1/10%	58.29
1911	3.57	4%	4 1/10%	64.18
Total surplus				64.18
Add 58.95%				34.36
Dividend paid				98.54

Your examiner notes that a few ordinary life policies which have been continued after the expiration of their deferred dividend periods as annual dividend policies do not share upon the basis of the premiums actually paid, but are granted the same dividend as would be paid to a policy originally issued on the

annual dividend plan and requiring a less premium. In my judgment this should be corrected since more of these cases will arise each year with the maturity of larger groups of deferred dividend contracts. The company has indicated that such correction will be made.

In the foregoing calculation it will be noted that prior to 1907 the rate of interest used in accumulation of the annual credits differs from that used in computing these credits. It should be pointed out, however, that during this period the company's participating business was confined almost wholly to deferred dividend plans. Commencing with the dividend year immediately following 1907 the same rate has been used for both purposes, as it should be. The small discrepancy of $\frac{1}{10}$ of 1 per cent. is not material.

Schedule P

Schedule P as filed by this company does not seem to furnish the information required by the insurance law (section 103, subdivision 15). The amounts stated appear to be the current years' apportionment while the blank calls for amounts both previously and currently set apart or provisionally ascertained. The company's attention has been called to this matter and it is understood that hereafter the schedule will be correctly filled out.

Surplus Earnings

The two following tables show the normal sources of surplus for several years, both gross and net (after deduction of loading losses).

	Gain from mortality	Gain from interest	Gain from surrenders, etc.	Total
1907	176,688	137,737	143,508	457,933
1908	181,789	71,069	76,496	329,354
1909	52,481	142,417	52,173	247,071
1910	94,142	132,288	22,426	248,856
1911	120,141	111,201	58,619	289,961

	Loss from loading	Net gain from the stated sources	Dividends paid or set aside	Balance
1907	19,966(gain)	477,899	76,985	400,914
1908	9,220	320,134	165,359	154,775
1909	26,071	221,000	372,283	151,283
1910	50,640	198,216	262,615	64,399
1911	35,517	254,444	292,342	37,898

CONCLUSION

This company's dividend system resembles those of other companies which have already been considered by the department. For a small volume of deferred dividend business the method in use for distributing the foreborne accumulations arising from terminated policies is substantially, if not theoretically, equitable. Matters which, in my judgment should be corrected, may be thus summarized:

1. Deferred dividend ordinary life policies, when continued as annual dividend contracts, should participate according to the premium actually paid.

2. Schedule P should conform to the requirements of section 103.

THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

NEW YORK, N. Y.

Examination on condition as of December 31, 1911.
Report dated January 25, 1913.
Chief Examiner: Nelson B. Hadley.
Examiners: Broderick, Elmer and Watkins.
Assistant Examiners: Bacharach, Banta, Billingham, Clark, Cunningham, Feder, Finkelstone, German, Heath, Kirchgessner, Kirker, Lynch, Norton, Rebman, Sanders, Smith, Streeter, Wood and Woodman.

Examination of Dividend System
Report dated November 9, 1912.
By Harwood E. Ryan, Assistant Actuary.

The Mutual Life Insurance Company was incorporated by a special act of the Legislature of the State of New York, known as chapter 246 of the Laws of 1842. This act was amended by chapters 60 of the Laws of 1851 and 131 of the Laws of 1862. The company commenced business February 1, 1843.

The last triennial examination of this company was made as of December 31, 1908. This examination is made as of December 31, 1911.

The Mutual Life Insurance Company of New York, as its name implies, is a purely mutual company; that is, each policyholder participates in the profits and participates, or has the right to participate, in the election of the trustees, and through such trustees, in the general management of the company.

There were approximately 563,000 domestic and foreign policyholders of this company on December 31, 1911, who held 671,053 policies representing $1,504,974,662 of insurance in force.

A meeting of the policyholders is held every two years at the office of the company on the first Monday in June for the election of trustees. A meeting of the trustees is held on the third business day following the date upon which the inspectors of election certify the results to the company. They elect, by ballot, a president, vice-president, and members of the different standing committees of the board of trustees.

The president and vice-president hold office until others are elected in their stead. The other officers of the company are appointed by the president subject to the confirmation of the board of trustees.

The standing committees of the board of trustees are as follows:

Finance Committee;
Real Estate Committee;
Committee on Insurance and Agencies;
Committee on Mortuary Claims;
Auditing Committee.

In the election of the members of each of the above committees, it appears to be the rule that at least one trustee is selected who has not served on that committee during the previous term.

One trustee of each of the standing committees, together with the president and vice-president, compose what is known as the General Committee. This committee meets "at the call of the president for the consideration of such affairs as may be presented by him, other than those specifically assigned to some other committee under the by-laws." They also apportion between the various committees the limits of the amounts to be invested under their direction. It is within the discretion of this committee to recommend to the board of trustees for their approval

the salaries of all officers elected by the board. In addition, this committee fixes the compensation of all officers appointed by the president with the approval of the board of trustees, and further, they "may provide for the continuance in the service of the company at reduced compensation of officers and employees attaining the age of sixty-five years."

HOME OFFICE ORGANIZATION

The president, being the chief executive officer of the company, is directly responsible to the board of trustees for the proper conduct of the officials appointed by him and the general management of the company.

There are three second vice-presidents in this company. One is at the head of the Medical Department. The Inspector of Risks, Bureau of Inspection and Revision, and the Bureau of Applications are in his charge. All matters in connection with the consideration of an application for insurance, such as the passing on the risk, medical examination, etc., are under the supervision of this department.

One second vice-president is also the financial manager of the company. His duties are solely in connection with the purchase or sale of securities and the compilation of information for the use of the finance committee.

One second vice-president is also the superintendent of domestic agencies. All matters relating to the management and proper conduct of the agency force in this country are under the supervision of this officer.

A superintendent of foreign agencies is also appointed by the president. His duties and responsibilities are the same in regard to foreign agencies as in the case of the superintendent of domestic agencies.

The treasurer has the care and custody of all cash, bonds, stocks or other securities belonging to, deposited with or held by the company except deeds of property and papers in connection with real estate mortgages. Deposits of securities or funds to comply with the requirements of various governments are made by the treasurer under the direction of the finance committee.

All transactions in connection with loans on policies are immediately in charge of a superintendent of policy loans and under the supervision of the treasurer.

The actuary, assisted by two associate actuaries and one assistant actuary, makes all calculations and tables for the use of the company, computes dividends and surrender values, and performs such other duties as are usually done by an actuary of a life insurance company.

This company has two secretaries; one, for the purpose of conducting the general correspondence, except such as relates to the business in foreign countries and to the business in charge of the several departments as provided for in the by-laws. He has general charge and supervision of the business of the company in connection with the issue of policies and includes the work in charge of the division of correspondence and mail, registrar, division of policy issue and changes, division of policy card records, and division of files. He also keeps a historical record of all officers and employees at the home office showing their age, length of service in each position occupied with the company, and the salaries received.

The other secretary keeps the minutes of the board of trustees and of the standing committees of the board. He has charge of the notification of the members of the board of trustees and of the standing committees in regard to stated and special meetings and is in charge of all records and papers which are not needed in the ordinary transaction of the company's business.

The comptroller is in charge of one of the most important, and in number of employees, one of the largest departments of the home office organization. He has charge of all books and accounts of the company relating to the income, expenses, receipts, and disbursements and is responsible for the correctness and preservation of such books and accounts together with such reports as may be required by law. He has general supervision of all accounts in connection with disbursements kept in all other departments of the home office and agencies.

As aides in the proper execution of the duties of his office, there are two auditors; one has charge of the audit of domestic accounts; and the other, of the audit of all foreign accounts.

The general solicitor is the chief officer of the law department and, under the direction of the president and of the appropriate committees, he has charge of and conducts or supervises all legal business of the company, including all legislative business and the examination of titles to property on which loans are contemplated. He appears as attorney of record in all litigation in New York City, and, wherever possible, at other points in the State of New York. Subject to the approval of the president, such attorneys as it may be necessary to place in charge of litigation in other places are appointed by the general solicitor.

The manager of the real estate department has charge of the company's real estate holdings and, under the direction of the real estate committee, has direct charge of the making of loans on real estate as security. He has the custody of all bonds, mortgages and deeds for property owned by the company, leases of the company's real estate, fire insurance policies and other papers connected therewith except those regarding titles. All title papers are kept by the general solicitor.

The purchasing agent is the head of the supply department and has charge of the purchase of all articles used by the company. He is instructed to make such purchases, when practicable, upon a competitive basis. All contracts for supplies covering a term of more than three months or involving an amount in excess of $1,000 must be approved by the president, vice-president, or other officer designated for that purpose.

Supplies are furnished to the different departments only upon requisitions properly approved by the department head or officer designated to approve such requisitions.

AGENCY DEPARTMENT

The agency department of this company is divided into two general divisions — domestic and foreign. Each division has its own superintendent and other home office employees and is conducted independently.

Domestic Agency Division

All domestic agencies are conducted on the branch office system; that is, a salaried manager appointed by the company is the chief agency executive.

Agency managers are required to furnish bonds of approved surety companies for such amounts as may be fixed by the company and to devote their entire time and energy to supervising and increasing the company's business within the territory composing their respective agencies. They are, among other duties, required to keep thoroughly informed and report promptly to the company any proposed or enacted legislation affecting insurance companies, deficiencies or irregularities in the office or agency force together with anything affecting any risk carried by the company. They are also responsible for all details connected with the procuring and handling of agents and the securing of new business.

The salaries of managers vary according to the importance of the office and extent of the business under their jurisdiction. The necessary expenses incident to the proper conduct of the business in each branch office, such as office rent, clerk hire, etc., are paid by the company. All salaries and rentals are fixed at the home office.

In addition to their salaries, managers are allowed maximum commissions on all business personally written by them notwithstanding the fact that they have no commission contracts. Beginning with business established in 1910, they are also allowed a renewal commission of 1 per cent. for three years.

The authorization for and conditions under which this 1 per cent. is allowed are set forth in a resolution of the committee on insurance and agencies.

Agents and solicitors are appointed by the managers under the company's contract and rules with the approval of the superintendent of agencies. All contracts with agents are executed in triplicate and signed by the manager. One copy is given to the agent, one copy is sent to the superintendent of agencies, and one copy is kept on file in the office of the manager. Changes, modifications or alterations of the original contracts are made in triplicate and are treated as original contracts.

Agents' contracts for commissions, which are made by the managers subject to the approval of the superintendent of agencies, are at rates not exceeding those specified in the maximum scale.

A maximum scale of commissions was adopted on January 1,

1908, and remained in force until September 30, 1911, subject to certain changes made from time to time. A new scale was adopted on October 1, 1911, which embodied the changes made. Such scale is now in effect.

Renewal commissions are paid on the basis of 5 per cent. and 3 per cent., respectively, for nine years according to the kind of policy, and they are generally commuted to two of 12 per cent. and one of 6 per cent. or to two of 8 per cent. and one of 4 per cent.

Agency cashiers and assistant agency cashiers are employed under the direction of the superintendent of agencies and they are required to furnish the company with satisfactory bonds of approved surety companies for such amounts as may be fixed by the company.

The agency cashier is the financial representative of the company at the agency and has charge of the collection of premiums and the care of the established business. He has full charge of all correspondence and records of the office and makes such reports as are required by the company.

All moneys collected for or belonging to the company are required to be deposited to the credit of the company on the day received in a bank designated by the treasurer. No unbonded employee of the company has access to the company's funds.

Payments on account of any loan, surrender value, matured endowment, or death claim are not permitted by an agency cashier unless so instructed by the comptroller of the company. Dividends may be paid by the cashier subject to certain conditions provided the cash dividend or the cash value of the dividend addition does not exceed a stated amount. As a rule, all payments on account of policy claims are made from the home office.

Foreign Agency Division

Of the foreign agencies, two only are conducted as general agencies. The balance are branch offices. The organization is similar to that of the domestic agencies and, although the managers have somewhat broader powers, their duties and responsibilities are practically the same.

Foreign managers are permitted to make certain payments,

such as surrenders, loans, etc., without obtaining express authorization for each individual case; but in making such payments, such managers are under restricted rules and regulations; and the vouchers for all such payments are checked and audited at the home office.

With the exception of agencies in England, Austria, Holland, Belgium, Denmark, Norway, Sweden and Hungary, the agencies in Europe do not secure new business but act merely as collecting mediums and transact such other business as may be required by the home office.

Agents are secured and contracts entered into practically the same as in the domestic department. The maximum commissions on new business are also the same.

Foreign agents are allowed nine renewals of 7½ per cent. or 5 per cent. according to the kind of policies. It would appear that, with two exceptions, the foreign agencies are subject to the supervision of local salaried representatives and therefore the rate of renewal commissions should be 5 per cent. and 3 per cent. respectively.

The authority for these payments rests on an opinion given in 1906 by a former general solicitor of the company which hinges on the word "local." The contention of the company is that the managers, on account of their broader powers, are not local salaried representatives.

Considerable attention was directed to the manner of reporting commissions and other agency transactions and it was found that, in accounting for first year's commissions, all such commissions are charged at the maximum rates stated in the adopted scale and any difference between the amounts of commissions based on these maximum rates and those actually received by the agents is credited to what is styled a "differential savings fund." The net amount of commissions actually paid, of course, is reported to the State.

A first year fund consisting of the differential savings plus an amount equal to one-half of one per centum of the amount of premiums collected on policies written prior to January 1, 1907, is set up for each domestic agency. Managers are allowed to pay salaries and make advances to agents to the amount of this fund

in their respective agencies. The salaries so paid do not show in the agent's contracts and there is nothing to indicate that the amounts thereof were determined in advance. Certain other items, such as traveling expenses, advertising, etc., are sometimes paid from this fund.

In certain domestic agencies, the commissions paid on new business are often in excess of the rates stated in the agents' contracts. The company claims the right of the managers to pay an agent on an individual case any rate of commission above the contract rate as long as the maximum scale rate is not exceeded. By this practice, an agent may get a different rate of commission on exactly similar policies.

This would appear to be in violation of a provision of section 97 of the Insurance Law, which is to the effect that all commissions must be determined in advance.

In foreign countries, however, commissions are paid in strict conformity with the agents' contracts. The first year fund consists of only the differential savings.

POLICY CONTRACTS

All insurance contracts entered into by the company at the present time are unrestricted as to residence, travel, and military or naval service. They are also free from restrictions as to other occupations than that in which the insured is engaged at the time of application after one year from the date of issue. If no extra premiums are being paid on policies issued prior to January 1, 1899, on account of the hazard of residence or occupation, with few exceptions, the restrictions contained in such policies will be removed providing such restrictions were not contained in the policy contracts entered into after said date.

According to the provisions of the contracts, the policies are incontestable after two years from the date thereof provided the premiums have been paid. All contracts are non-forfeitable after three full years' premiums have been received by the company.

All policies issued by the company prior to 1884 were on the annual dividend plan except during the years 1870 to 1872 when a few ten-year tontine policies were issued. During the period commencing 1884 and ending December 31, 1906, five, ten, fifteen

and twenty year dividend distribution policies were issued. Since December 31, 1906, only annual dividend policies have been issued.

The minimum amount of an insurance policy issued by the company is $500 and $250,000, over and above the reserve on all existing policies in the company, is the maximum limit of insurance which is carried on any one person. The company does not consider insurance in excess of the above amount on any one risk unless reinsurance can be effected without loss.

Extensions

"Extensions" is a term used to indicate that the insurance company has agreed to accept the payment of premiums or loan interest at a time beyond the grace period allowed for such payments. As consideration therefor, the company charges a fee in case the policy has no surrender value or when the cost of the extension together with all other indebtedness would be in excess of the surrender value.

The limits of extension periods are usually not to exceed six months on annual premiums and three months on semi-annual premiums. Extensions of time for the payment of quarterly premiums are considered in exceptional cases and then only where full particulars are submitted.

Restorations

Policies that have been forfeited or surrendered or automatically continued as paid-up insurance on account of the nonpayment of any premium at the end of the days of grace, or of the extension period, if any, may be restored under certain conditions.

Annual dividend policies.— An annual dividend policy may be restored provided premiums and loan interest, if any, have not been in default more than three years. The restoration is also subject to satisfactory evidence of insurability and the payment of all arrears of premiums and loan interest, if any, with compound interest at the rate of 5 per cent.

In cases where a restoration is desired on policies on which premiums have been in default for more than three years, the

requirements or conditions under which the company will make such restoration are furnished in particular cases upon request.

Deferred dividend policies.— A deferred dividend policy may be restored subject to satisfactory evidence of insurability and the payment of all premiums in arrears with compound interest at the rate of 5 per cent. provided the premiums have not been in default more than three years and the period from the proposed date of restoration until the end of the distribution period is five years or more.

A policy may be restored during the last five years of a dividend distribution period under certain conditions provided the premiums have not been in default more than six months.

The company will not restore a policy after the end of a dividend distribution period if the policy has been lapsed or surrendered before the end of such period. In any case, the company claims that it has the right to decline to restore any policy that it sees fit.

Surrenders

Any policy issued after January 1, 1907, on which premiums have been paid for at least three years may be surrendered for (a) non-participating paid-up insurance, (b) non-participating continued insurance, or (c) cash.

Non-participating Paid-up Insurance.— The State of New York passed a law in 1879 which provided that surrender values in the form of paid-up non-participating insurance of a certain minimum amount should be given on all policies issued on or after January 1, 1880, on which at least three full years' premiums had been paid. This law also provided that such policies must be surrendered not later than six months after the date of lapse in order to secure this paid-up insurance. However, in case of any policy issued prior to January 1, 1899, which lapses on account of the non-payment of any premium due on or after January 1, 1901, the company automatically grants paid-up insurance notwithstanding this provision.

The company published a table of paid-up values for policies issued under this law. The amounts given in this table as paid-up values are increased by dividend additions, if any, and apply to all policies issued prior to January 1, 1899.

What is known as the "1899 forms" were in use between January 1, 1899, and December 31, 1906. All policies issued on such forms provide that they would automatically remain in force as paid-up insurance should a premium be in default after three full years' premiums had been paid provided there were no loans outstanding on the policies. The policies stated the amount of paid-up insurance they would be entitled to. Such amounts would be increased by any dividend additions and decreased, on account of any extensions that may have been granted by the company beyond the days of grace, by an amount equal to the insurance equivalent of the proportionate premium and interest.

All policies issued after January 1, 1907, are, according to law, automatically continued as term insurance for the full amount in the event of a default of any premium after the third. The law also provides that all policies issued after this date should contain minimum surrender values. In addition to the legal requirements, all policies issued after said date stated the amount of non-participating paid-up insurance which could be obtained if the policy was surrendered not later than three months after the default of the premium.

In cases where the paid-up insurance is desired, the company requires a written request to that effect which must be accompanied by the surrendered policy.

Non-participating Continued Insurance.— According to the provisions of all ordinary and limited payment life policies issued on the "1899 forms," they may be surrendered for policies of term insurance for the full amount within thirty days after default in the payment of any premium after the third if there are no outstanding loans on the policies. The period of the term is stated in the contracts. Should such a surrender be desired during the eleven months subsequent to the specified thirty days, the insured must be examined by a company's physician without expense to the company and if the insured is found to be in good health, the surrender and exchange may be effected.

All policies issued after January 1, 1907, contain tables which show the period for which the policies will automatically continue in force providing there are no loans outstanding on the policies.

In case there are loans outstanding on the policies, the amount of the term insurance and the period of the term are affected by the loan and dividend additions if any, at the date of default. Usually the amount of continued insurance in such cases, is the sum of the original amount of insurance and dividend additions, if any, from which is deducted the amount of the loan and interest. The term, as is explained by the provisions of the policy, is then to be determined according to the circumstances of each case.

Surrenders for cash.— Cash surrender values are guaranteed in some of the policies issued by the company provided they are surrendered at certain stated periods. The company will allow a cash surrender consideration for any of the above mentioned policies should the insured desire to terminate his insurance at other times than stated in his contract.

The policies which guaranteed certain cash or loan values at certain stated periods were long term dividend distribution policies issued from 1884 to 1889. These policies provided for the first dividends at the end of either five, ten, fifteen, or twenty years and for subsequent periods of five years thereafter. In order to secure the guaranteed cash value, the insured was required to surrender the policy at the end of a distribution period. The cash surrender values vary with the first distribution period provided for in the policy. Such values were 80 per cent. of the American 4½ per cent. reserve at the end of the first distribution period of five years and 100 per cent. of the American 4½ per cent. and 4 per cent. reserves at the end of the first ten year or other distribution periods respectively. The guaranteed cash values are increased by the cash values of the dividends then due.

The policy contracts issued from July 1, 1889 to 1898 were practically the same except that no cash surrender values were guaranteed other than at the end of the first distribution periods. These values at the end of the ten, fifteen and twenty year distribution periods were 100 per cent. of the American 4 per cent. or 4½ per cent. reserves, according to the plan of distribution.

In 1899, three different scales of cash values were used; one for twenty-year distributions, a smaller scale for fifteen-year distributions, and a still smaller scale for all other policies having shorter distribution periods.

The guaranteed cash values of all policies, with a few exceptions, having fifteen or twenty-year distribution periods were in excess of the American 3½ per cent. reserves. Therefore, an additional reserve was required to be accumulated which, together with the regular reserve, would equal the guaranteed cash value at the end of the distribution periods.

The guaranteed cash values in the "1899 form" policies could be secured only if the policies were surrendered within sixty days of the due date of the premium in default. The cash the company would give on a policy surrendered after the sixty days had expired would be the amount of the automatic paid-up to which the policy would be entitled multiplied by a factor, which is explained hereinafter, for the attained age of the insured.

All policies issued on or after January 1, 1907, contain tables of cash values which govern in case of surrender.

When a policy is surrendered at other times than that stated in the contract at which time a guaranteed amount may be had, the cash surrender consideration allowed by the company is calculated by converting the policy into non-participating paid-up insurance to which is applied a factor. This factor represents the amount of cash which will be allowed for each dollar of such paid-up insurance.

The table of cash factors now used by the company in determining the cash surrender values of paid-up insurance became effective in February, 1906. It is based on 75 per cent. of the rate of mortality of the American Experience Table of Mortality assuming interest at the rate of 5 per cent. The table in use prior to February, 1906, assumed interest at the rate of 6 per cent.

The actual experience of the company on this class of policies is said to be approximately 87½ per cent. of the American Experience Table of Mortality and the loss of presumably the better class of risks by surrender is overcome by basing the cash surrender value on 75 per cent. of the American Experience Tables. This is a penalty of 12½ per cent. to the surrendering policyholder. While the reserve may be calculated on an interest rate of from 3 per cent. to 4 per cent. or 4½ per cent., the rate

assumed in the computation of the cash factors, 5 per cent., inflicts a further penalty of from one-half per cent. to 2 per cent.

While it appears that the first penalty is proper in order to maintain a proper relation of reserves to the risks involved, the reason for the calculation of the factors on a basis of 5 per cent. interest is not so apparent. However, the last penalty is said to represent the expense incurred in replacing the retiring policyholder.

It would seem, therefore, that the selection of the rate of interest for such calculation is arbitrary and not based upon any recognized principles of life insurance. The reason of the selection of the 6 per cent. interest rate on the table of cash factors in effect prior to February, 1906, was that such rate of interest was the legal standard rate for the State of New York.

Settlements where there is a loan.— The company terminates for their cash values all policies issued prior to January 1, 1907, that have been assigned to it as security for loans, upon the nonpayment of either premium or interest. In order for the insured to have the loan continued either in whole or in such part as the value of the paid-up will allow, he must make such arrangement with the company and pay the interest on the loan in advance. Should the loan be in excess of the cash value of the paid-up, the insured must reduce the amount of the loan to continue the policy as paid-up subject to the loan. Any equity in the policy when so terminated is paid to the insured.

All policies, except term, issued after January 1, 1907, on which any premium, after three full years' premiums have been paid, is in default, are continued automatically as paid-up term. The amount thereof is the face amount of insurance, to which is added any dividend additions, less the amount of the indebtedness to the company. In such cases, the loan is paid off and the policy continued for the net amount for such term as may be determined. Should the premium be paid in cash and the interest on the loan be in default, such interest is added to the principal and bears interest at the rate of 5 per cent. annually. This procedure is followed until the loan and interest equals the cash value of the policy at the date to which the premiums are paid.

In order to test the company's computation of cash values allowed, 435 cases, settled in 1911, were selected. These covered issues of the years 1855 to 1895, inclusive, upon the ordinary life, limited payment life and endowment plans, having various distribution periods.

Method of Computation for Issues Prior to July 1, 1889.— The earlier issues were largely ordinary life contracts without distribution periods. The cash value was found by first converting the $4\frac{1}{2}$ per cent. reserve at the year of surrender into paid-up insurance, in accordance with the company's single premium rates of 1879, and multiplying the paid-up thus obtained by the cash factor before mentioned. Ordinary life contracts with fixed distribution periods and subsequent five-year distribution periods have guaranteed values at the end of the first distribution period and thereafter at the end of each five-year period. If surrendered before the first distribution period, as for example, an ordinary life policy, twenty-year distribution, surrendered at the end of the eighteenth year, the cash value would be the terminal reserve — 4 per cent. American Experience — at the end of the twentieth year, discounted two years at 5 per cent., less one gross annual premium, and one net annual premium discounted one year at 5 per cent. If this policy should be surrendered at the end of the twenty-second year, the cash value would be the terminal reserve — 4 per cent. American Experience — at the end of the twentieth year, or the terminal reserve, 4 per cent. American Experience — at the end of the twenty-fifth year discounted as before — whichever produces the larger value.

The above methods apply also to limited payment life and to endowment policies except that in the case of endowment policies the value at maturity is always used.

Method of computation for issues after July 1, 1889.—As before stated, these policies provide guaranteed values only at the end of the first distribution period, which is either the terminal reserve, 4 per cent. or $4\frac{1}{2}$ per cent., American Experience, according to the plan of distribution.

Cash values for ordinary life policies surrendered before the end of the distribution period are computed in the same manner as before given for issues prior to July 1, 1889. If surrendered

after the distribution period the cash value given is either the terminal reserve, 4½ per cent. American Experience, at the year of surrender converted into paid-up insurance according to the company's single premium rates of 1879 and multiplied by the cash factor for the attained age, or the guaranteed cash value at the end of the distribution period, whichever value is larger.

Cash values for limited payment life policies surrendered before the end of the distribution period are equal to the terminal reserves 4 per cent. or 4½ per cent., American Experience, according to the plan of distribution, at the end of the distribution period discounted in the same manner as ordinary life contracts. If surrendered after the distribution period the cash value would be either the guaranteed value at the end of the distribution period or the cash value obtained by applying the cash factor at the attained age to the paid-up value at the time of surrender, the larger value being given.

Endowment policies surrendered before maturity are entitled to either the face of the policy discounted for the number of years to run, less the premiums due (one gross and the balance net and also discounted), or to the value obtained by applying the cash factor, at attained age, for the number of years to run, to the paid-up endowment value at the date of surrender.

We find the cash values carefully computed, few errors being found. It seems to be the policy of the company to give the insured the benefit whenever the cash value can be found in more than one way.

DEATH CLAIMS

When the death of a policyholder is reported, blank proofs are given to the claimant, and a "Report of Death" form, on which the information at hand is entered, is started. At the home office this form is first sent to the Mortuary Division where a card record is made of the facts in the report. The report is then sent to the registrar for a complete description of the policy; to the auditor for a record of the premium payments; to the actuary for a record of any dividends, etc., due on the policy and then back to the mortuary division to await proofs of death. The auditor withdraws the premium card from the files, marks

it "Dead" and files it in an "Unpaid Dead" drawer. The policy loan records are also searched for loans against the policy. The actuary makes a card containing all the information to date. When the proofs of death are received the papers are again sent to the actuary who completes this card and enters the claim in the death claim register. The aggregate amount represented by these cards is the company's liability for unpaid reported death claims. A check is made between these cards and those in the auditor's department representing unpaid death claims. After claims are paid the cards are so marked and filed. The proofs are also sent to the medical department and doubtful cases are sent to the law department. The second vice-president approves and authorizes for payment all indisputable claims, and reports to the mortuary committee for action, all claims which are disputable.

This system was lacking in one essential. The company did not at any stage give the claim a claim number. Outstanding claims were never at any time susceptible of absolute proof as to their completeness. The company has remedied this, and claims are now given a claim number upon receipt of notice.

Paid claims are filed by policy number and year of payment. In order to facilitate checking the payments to the company's books, cards were first prepared from the death claim abstract and these were then arranged according to policy number, to correspond with the files, and checked with the claim papers. No release is filed with the claim and in fact the only release which the company has is the cancelled check. This was examined in each case and compared with the papers to see that the amount was correct and that the proper party received the money. Over 15,000 claims were carefully read, especial attention being given to litigated and compromised cases.

Certain claims are resisted where the policies contain certain restrictions, for one year, in regard to occupation. The policies lapsed and were restored after having been in force more than two years. The company's contention is that the restoration makes a new contract and that the restrictions must run one year from the date of restoration.

Age adjustment.— Many of the older policies make no provision for adjustment on account of misstatement of age. In every case of understatement, the company has made a correct deduction and the New York law is given as authority. No attention is given to overstatement of age. As the law provides for adjustment in either case it would seem more equitable if the company would also recognize cases where the age has been overstated.

On December 31, 1911, the company stated its liability on account of incurred death losses for which no proof has been received as $1,997,278.79, made up of $1,397,278.89 representing claims of which notice had been received and an estimate of $600,000 to cover unreported death claims. Forty-three claims, aggregating $11,703, which were overlooked and not included in the reported cases, have been added and the sum of $47,547, the reserve which the company carried, has been deducted from the reserve liability. The estimate of $600,000 was too high as the claims reported this year amounted to $286,644, from which the reserve liability of $131,906 must be deducted, leaving the net liability of $154,738, instead of the $600,000 estimated. In the contested cases, that of F. Rustin was carried as two policies aggregating $30,000; it should have been four policies, aggregating $50,000.

After making these corrections, the outstanding liability on account of policy claims is as follows:

Claims for death losses due and unpaid	$452,278 13
Claims for death losses in process of adjustment	912,421 54
Claims for death losses, no proofs received	1,663,719 79
Claims for matured endowments, due and unpaid	216,975 33
Claims for policy claims resisted	442,798 04
Due and unpaid on annuity claims involving life contingencies	158,739 39
Total	$3,846,932 22

Claims are handled promptly.

DIVIDENDS

The investigation of the company's dividend system included:

1. An inquiry into the methods and factors used by the company in computing dividends. This part of the examination

was made by Mr. H. E. Ryan, assistant actuary of the department, and his findings are the subject of a separate report filed herewith.

2. The verification of dividend rates per $1,000, as shown in Schedules M, N and O, with the calculations made by the actuary's department.

3. Test checks of dividend payments to policyholders by comparing dividend vouchers with the rates stated in the schedules.

4. Verification of dividend liabilities as reported in the annual statement.

Schedule M.— Two hundred cards were written from issues of 1905, 1906, 1907, 1908, 1909 and 1910, covering every kind of policy reported in the schedule for ages 25, 35, 45 and 55. These cards stated year of issue, rate of dividend, kind of policy, distribution period and age at issue. The cards were checked with the dividend registers and found to agree. From these registers, policy numbers and amounts of insurance were added to the cards which were then checked against the vouchers showing payments to policyholders. No errors were found.

Schedule N.— A card was written for each kind of policy having a 10, 15 and 20 year distribution period, issued in 1891, 1896 and 1901 for ages 25, 35, 45 and 55. The same procedure was followed as for Schedule M. No errors were found.

Schedule O.— This schedule shows the amount per $1,000 set apart or provisionally ascertained or calculated or held awaiting apportionment on policies with deferred dividend periods longer than one year. The amounts reported for the various ages and kinds of policies were compared with the company's calculations and found to agree.

Schedule P.— This schedule shows the total amount set apart or held awaiting apportionment on policies with deferred dividend periods. Assuming the correctness of the amounts of insurance in force, as shown on the balance sheets of the company, the issues of 1894 were taken for a test and checked into the summary sheets without finding any errors. These sheets were then checked into the accumulated dividend fund register. During 1912, the company has rechecked a portion of its work in both the accumulated dividend and forborne dividend registers. The result of

the recheck shows that the liability on December 31, 1911, was too high by $41,943.43.

Forborne Fund

This fund consists of amounts equal to annual dividends previously set aside for deferred policies which have since terminated by death or otherwise, together with compound interest thereon. A test check was made by writing 500 cards of 1894 issues from the dividend registers, of various dates and modes of termination. These were checked with the forborne dividend sheets. Two errors were found which will increase the fund by $968.47. These sheets were then checked to the forborne dividend register and found to agree.

The deferred dividend account in the general ledger shows:

Balance to the credit of the fund December 31, 1910.....	$75,164,219 97
Accretions during 1911 (including interest).....	11,040,598 09
	$86,204,818 06
Deduct dividends payable in 1912.....	10,602,950 03
To the credit of the account December 31, 1911.....	$75,601,868 03
Add amount omitted	968 47
	$75,602,836 50
Deduct errors found by the company.....	41,943 43
Liability on December 31, 1911.....	$75,560,893 07

Annual Contribution

In 1909, the company made a special contribution to the deferred dividend fund. This was distributed through the several years of issue, to the twenty year deferred dividend class, so that the rate of dividend on these policies, at the expiration of their dividend periods, will not be less than the rate paid the previous year. This sum is adjusted each year, and on December 31, 1911, it amounted to $3,258,740.71.

Deferred Dividend Policies Changed to Annual Dividend Policies

The difference between the total accumulated dividend at time of change and the total annual dividends is included in the for-

borne fund. These annual dividends are used to purchase paid-up insurance upon a satisfactory medical examination. If the insured cannot pass a successful medical examination, the original contract must be continued to the end of the dividend period. The contract provides, however, that two years prior to the maturity of the dividend period, the insured may elect to have the dividends applied to purchase paid-up insurance without medical examination.

Dividends on Supplementary Participating Contracts

The dividends paid in 1911 on contracts of this kind issued in settlement of policies issued on or after January 1, 1907, consisted of one year's interest at 1.4 per cent. on the principal.

Conclusion

Dividend records are carefully kept and no discrimination was found in the treatment of policyholders of the same age and class. While a complete check, in detail, of the company's liability for dividends left to accumulate at interest, unpaid dividends, and dividends payable in 1912 was not attempted, we believe the amounts as stated by the company are sufficient.

It is apparent from the report of Assistant Actuary Ryan and from this investigation, that the factor representing earnings on investments has not been affected by the gains or losses on account of sales of securities or the variations in the market price of stocks held by the company.

Accounting System

The Application

Applications for contracts of life insurance are procured, with a few exceptions, by soliciting agents. The application is completed by a medical examination, made by a duly appointed medical examiner of the company and is then sent to the company's agency. Agents are urged to secure the amount of the first premium. A conditional receipt, countersigned by the agent, is given when such payment is made. All such payments, made to soliciting agents, are required to be turned over to the agency cashier and held as deposits on account of pending insurance.

At the agency, a copy of the application is made, the medical examiner is credited for the examination and it is then forwarded to the home office. If the application is declined, a notice of such fact is sent to the applicant and he is instructed to present his conditional receipt, if the first premium has been collected, to the agency cashier who will refund the amount paid.

The Policy

If the application is accepted, such fact is noted on the application and it is sent to the registrar who writes the policy and enters the facts in the policy register. Card records of the policy are prepared for the index, election list, actuary, auditor, agency department, and the cashier. The policy is then sent to the agency for delivery and for collection of the first premium, if it has not been previously paid.

Premiums

A card record is also made at the agency from which notices of premiums becoming due are prepared. Official receipts for premiums, other than initial premiums, are prepared at the home office. Two records of the premiums due are also prepared, one of which is retained at the home office and the other is forwarded, with the receipts, to the agency and is there compared with the premium notices which have been prepared at the agency. The totals of premiums to be collected are charged in the premium control ledger.

Receipts and Disbursements

In the domestic department all collections and disbursements are entered each day in the cash journal kept at each agency. Funds are deposited daily in a designated local depository, to the credit of The Mutual Life Insurance Company of New York, and checks thereon are signed in the name of the company by the agency cashier or assistant agency cashier. Remittances to the home office, by New York draft are sent daily or when the balance in the bank exceeds the authorized balance by $500. Premium collections are reported to the home office daily, except in small agencies where at least two reports each week are required. Entries on the card records kept in the accounting department at the home office are made from these reports.

Collections on account of policy loans and loan interest are reported and recorded in the policy loan department.

Each agency renders monthly a summary of policy receipts and policy disbursements, together with a summary of premium collections allocated according to the month in which they are due. The totals of the amounts by months are credited in the premium control ledger. A recapitulation of credit sheet shows all receipts, and charge sheets show all disbursements, according to home office classification. The disbursements are supported by warrants and receipted vouchers, except those for renewal commissions which are retained at the agency, where they are audited by the traveling auditor. Vouchers for first year's commissions are also returned to the agency. All balances on the records of the agency after the close of the month's account are entered on a summary sheet and forwarded to the home office.

From the recapitulation sheet and the charge sheets a tabulation of the account for the month is prepared at the home office. The amounts on this sheet are entered in the "Abstract of Domestic Agency Accounts." In the foreign department similar records are kept. Every transaction of the company, both domestic and foreign, is recorded in an appropriate abstract, each of which has a monthly recapitulation. A "Summary of Totals" is kept in each department in which the monthly recapitulations in each of the other abstracts are entered. The final results of the foreign summary are entered monthly in the domestic book and the combined net results of both summaries are transferred to the "Auxiliary Journal" and posted from there to the General Ledger.

The foreign reports differ somewhat in form from those used in the domestic department. The "Summary of Totals," which is made up along the same general lines as the domestic book, has some five or six accounts which cannot be checked directly into the domestic book. Instead, these accounts must first be carried through the ledger in the foreign department. I see no reason why the reports and books used in the foreign department should not be identical in form with those used in the domestic department, especially as the reports rendered by the foreign department to the domestic department must follow the forms used by the latter. At present the two departments appear to work independently in regard to the forms used.

Cash Book

The cash book is in two sections — one for Mondays, Wednesdays and Fridays; and the other for Tuesdays, Thursdays and Saturdays. All home office receipts and disbursements are recorded in the cash book and are then transcribed in appropriate abstracts. Payments are made as follows: real estate and bond and mortgage, by check on the warrant of the real estate department; policy loans, by check on the warrant of the policy loan department; death claims and surrender values, by check; matured endowments and dividends, by draft on the warrant of the actuary; supplies, by check on the warrant of the purchasing agent; annuities by draft; salaries by check or cash on the warrant of the comptroller; the employee signs the payroll when the cash is taken.

The following is a statement of the receipts and disbursements of the company for the year 1911, and assets and liabilities as shown by the books and records of the company as of December 31, 1911, revised as herein set forth:

Receipts

Total new premiums	$8,694,432 22	
Total renewal premiums	46,348,566 76	
Total premium income		$55,042,998 98
Consideration for supplementary contracts not involving life contingencies		464,897 50
Dividends left with the company to accumulate at interest		74,286 72
Total gross interest and rents		24,344,423 34
Collections or deposits received for account of others not paid out		29,384 51
Profit on fire loss settlements	$1 69	
Cash over	67 18	
Policy fees	2,561 33	
Premium extension fees	26,080 08	
From agents' balances previously charged off.	15,523 77	
		44,234 05
Gross profit on sale or maturity of ledger assets, viz:		
(a) Real estate	$44,822 41	
(b) Bonds	28,152 36	
(c) Stocks	3,921,965 60	
		3,994,940 37

Gross increase by adjustment in book value of ledger assets, viz:		
(a) Real estate	$648,226 06	
(b) Bonds (accrual of discount)	279,011 85	
		$927,237 91
Total receipts		$84,922,403 38
Ledger assets January 1, 1911		552,954,502 11
Total		$637,876,905 49

Disbursements

Total paid policyholders		$57,052,588 83
Expense of investigation and settlement of policy claims, including $57,333.51 for legal expense		70,815 27
Paid for claims on supplementary contracts not involving life contingencies		289,366 58
Dividends and interest thereon, held on deposit, surrendered during the year		11,770 72
Commissions to agents (less commission on reinsurance)		3,371,702 43
Compensation of managers and agents not paid by commission for services in obtaining new business		176,077 71
Agency supervision and traveling expenses of supervisors (except compensation for home office supervision)		760,276 40
Branch office expenses, including salaries of managers and clerks not included above		804,070 11
Medical examiners' fees	$321,078 77	
Inspection of risks	56,946 80	
		378,025 57
Salaries and all other compensation of officers, directors, trustees and home office employees		1,311,767 58
Rent, including $339,496.60 for company's occupancy of its own buildings, less $3,187.70 received under sublease		536,806 89
Advertising	$57,616 28	
Printing and stationery	151,904 14	
Postage, telegraph, telephone and express	218,825 34	
Exchange	34,430 66	
		462,776 42
Legal expense $28,939.08; legislative expense $7,662.58		36,601 66
Furniture, fixtures and safes, including repair and maintenance		53,065 68
Repairs and expenses (other than taxes) on real estate		370,569 28
Taxes on real estate		358,060 51
State taxes on premiums		641,462 59
Insurance department licenses and fees		31,392 74
All other licenses, fees and taxes		94,781 77
Other disbursements		190,985 79

Disbursed from amounts held for sundry parties		$623,497 91
Payments from deposits on account of pending insurance		18,874 04
Agents' balances charged off		62,519 95
Gross loss on sale or maturity of ledger assets, viz:		
(a) Real estate	$81,494 22	
(b) Bonds	14 00	
(c) Stocks	22,244 88	
		103,753 10
Gross decrease by adjustment in book value of ledger assets, viz:		
(a) Real estate	$287,512 94	
(b) Bonds (including $122,566.79 for amortization of premiums)	297,566 79	
		585,079 73
Total disbursements		$68,396,689 26
Balance		569,480,216 23
		$637,876,905 49

Ledger Assets

Book value of real estate		$23,657,975 90
Mortgage loans on real estate		139,649,737 05
Loans made to policyholders on this company's policies assigned as collateral		76,048,489 89
Book value of bonds	$294,733,099 59	
Book value of stocks	32,357,627 46	
		327,090,727 05
Cash in company's offices		58,811 36
Cash in transit, since received		23,000 00
Deposits in trust companies and banks not on interest		259,625 14
Deposits in trust companies and banks on interest		2,189,409 62
Advanced or deposited to pay claims		397,311 74
Agents' balances		27,326 47
Accounts collectible		40,561 66
Supplies		26,136 60
Cash advanced to officers and employees for traveling, etc.		11,103 75
Total ledger assets as per balance		$569,480,216 23

Non-Ledger Assets

Total interest and rents due and accrued		6,162,660 68
Market value over book value of:		
Bonds	$1,142,123 45	
Stocks	6,620,537 54	
		7,762,660 99
Net amount of uncollected and deferred premiums		4,073,110 70
Gross assets		$587,478,648 60

Deduct Assets Not Admitted

Supplies	$26,136 60	
Agents' debit balances	27,326 47	
Cash advanced to or in the hands of officers or agents or employees for traveling	11,103 75	
Accounts collectible	40,561 66	
		$105,128 48
Admitted assets		$587,373,520 12

Liabilities, Surplus and Other Funds

Net reserve, paid-for basis	$473,242,332 00
Present value of amounts not yet due on supplementary contracts not involving life contingencies	3,095,512 55
Liability on policies cancelled and not included in "Net reserve" upon which a surrender value may be demanded	91,728 82
Total policy claims	3,846,932 22
Due and unpaid on supplementary contracts not involving life contingencies	4,207 58
Dividends left with the company to accumulate at interest and the accrued interest thereon	147,550 83
Premiums paid in advance, including surrender values so applied	385,560 48
Unearned interest and rents paid in advance	1,490,324 96
Commissions to agents due and accrued	30,787 96
Salaries, rents, office expenses, bills and accounts due and accrued	28,116 49
Medical examiners' fees $2,667.01, and legal fees $2,857.46 due or accrued	5,524 47
Taxes due or accrued	144,371 48
Reinsurance premiums due	4,764 69
Estimated amount hereafter payable for federal, state and other taxes based upon the business of the year of this statement	1,164,125 63
Dividends or other profits due policyholders, including those contingent on payment of outstanding and deferred premiums	794,654 14
Dividends declared on or apportioned to annual dividend policies payable to policyholders during 1912, whether contingent upon the payment of renewal premiums or otherwise	4,543,735 69
Dividends declared on or apportioned to deferred dividend policies payable to policyholders during 1912	10,602,950 03
Amounts set apart, apportioned, provisionally ascertained, calculated, declared or held awaiting apportionment upon deferred dividend policies not included above	75,560,893 07

Fund for depreciation of securities and general contingencies	$11,926,803 77
Deposits on account of pending insurance	97,127 25
Due sundry parties for collections made or deposits held for their accounts	165,516 01
	$587,373,520 12

RECEIPTS AND DISBURSEMENTS

As stated in the discussion of the accounting system, the various items of receipts and disbursements find expression in an appropriate abstract. By tracing the monthly totals in each abstract, through the summary totals to the ledger, all the items in the annual statement were substantiated. The correctness of the entries in the abstract was established during the examination.

Premiums

Premiums represent about sixty-five per cent. of the total receipts and are collected largely through the agencies. The accounts of seven agencies were checked for the entire year and vouchers examined.

Interest and Rents

The gross interest and rents for the year were divided as follows:

Gross interest on mortgages	$6,625,695 43
Gross interest on bonds and dividends on stocks	12,138,079 71
Gross interest on policy loans	3,677,732 29
Gross interest on bank deposits	136,468 52
Gross interest on deferred premiums, overdue premiums and interest	138,738 48
Gross interest on real estate contracts	5,623 14
Gross rent, including $339,496.60 for company's occupancy of its own buildings	1,622,085 77
Total	$24,344,423 34

The interest from deferred premiums, overdue premiums and interest was not the gross amount received. During the year, the company paid interest on overdue policy claims to the amount of $8,552.13. This was deducted from the interest received, although it is not a proper offset to the amounts which make up this item of income. The gross amount has been stated above and the $8,552.13 has been treated as a disbursement.

The disbursements to policyholders were as follows:

Death claims and additions	$22,813,573 82
Matured endowments and additions	7,185,370 95
Annuities involving life contingencies	2,662,966 84
Surrender values paid in cash	10,281,033 45
Surrender values applied to pay premiums	477,786 04
Dividends paid in cash	9,123,707 91
Dividends applied to pay renewal premiums	2,351,940 03
Dividends applied to purchase paidup additions and annuities	2,081,923 07
Dividends left to accumulate at interest	74,286 72
Total	$57,052,588 83

Reinsurance

The gross premiums paid for reinsurance during the current year should be deducted from the premium receipts. Commissions or dividends received from reinsuring companies should be credited against disbursements for commissions or dividends. The premiums which the company deducted were net as to dividends and partly net and partly gross as to commissions.

During 1912, these premiums are entered gross as to commissions but net as to dividends.

It has not been deemed necessary to change the company's figures but to call attention to the error in principle.

In connection with the work on agents' accounts, several matters came to the attention of the examiners and are submitted for your consideration.

In the Chicago agency the following agents have assigned their renewal commissions to Eugenia E. Hintzpeter, wife of H. C. Hintzpeter, the manager of one of the branches: P. H. Cooney, S. W. Croy, C. A. Grover, G. W. Gundaker, Chas. H. Holm, McKinney Hines, H. G. Kornblith, J. C. Pompoco, Geo. M. Rabb, D. Schnitzer, G. M. Vastine and C. H. Wasson.

C. E. Joys assigned renewal commissions (2 of 12 per cent. and 1 of 6 per cent.) on policy No. 1923149 — Rothchilds, and policy No. 1923150 — Granert, to Jennie Granert, presumably a relative of one of the insured. Both policies were payable to the firm of Granert and Rothchilds.

The disbursements made for the care and supervision of renewals to four agents in the Pittsburgh agency in the month of

January, 1911, were investigated. The amounts paid on policies of the employees in the Pittsburgh office, and on policies of the officers and directors of the company, were also examined. The results show that most of the policies are supervised, that frequently several policies, issued on the same life, are each cared for by a different agent, and that, as a rule, the agents who received this allowance are large producers of new business. This disbursement does not seem to be wholly what its name implies. Apparently, the payments are made, in many cases, to give the agent some additional compensation as the policy is not one which should require looking after.

The other items of receipts and disbursements do not require special mention.

ASSETS

Real Estate

The book value of all real estate owned by the company on December 31, 1911, amounted to $23,657,975.90, divided as follows:

Domestic office buildings	$18,621,672 53
Foreign office buildings	3,640,900 00
Foreclosed property	1,395,403 37
	$23,657,975 90

The book values have been adjusted from time to time upon the authorization of the real estate committee, which fixes the values to be given in the annual statement. The reasons for the adjustments are usually given.

Office Buildings.— The company owns the block, known as the Nassau Block, which is bounded by Nassau, Liberty, William and Cedar streets, with the exception of the property at No. 71 William street. This parcel is held under a forty-year lease expiring May 1, 1937. By the terms of this lease the company pays the taxes, insurance and one-half of any assessments levied against the property, in addition to a yearly rental of $8,000. A portion of the property is rented at $3,000, the balance is vacant. Should the lease terminate sooner by the death of the life tenant, the company has the option to purchase the property

at an appraised value. The home office of the company now comprises the entire block except Nos. 41 and 43 Cedar street and Nos. 67 to 77 William street.

The following summary shows the space occupied by tenants and company, exclusive of hall space.

Space occupied by tenants for entire year 1911	267,974	square feet
Space occupied by company for entire year 1911	106,061	square feet
Space vacant for entire year	6,813	square feet
Space used for closets and toilets (not charged)	1,078	square feet
Total	381,926	square feet

The average rate per square foot charged tenants	$2.357
The average rate per square foot charged by the company for its own occupancy	2.421

In addition, the company owns several parcels, adjacent to the home office property, which it does not occupy. As these have been held for more than five years, it is questionable whether the company can legally continue to hold the same without certificates from the Superintendent of Insurance, as required by section 20 of the Insurance Law.

Office buildings are also maintained in Boston, Philadelphia, San Francisco, City of Mexico, Cape Town, London and Paris. A portion of the London buildings are on leased land for which the company pays a yearly rental of £800. The lease is for 99 years and expires in 1997.

Foreclosed Real Estate.— The company owns forty pieces of real estate acquired through foreclosure. In each case where the property has been held longer than five years, a certificate from the Superintendent of Insurance is on file extending the time for sale beyond the date of this examination.

Sixteen of the above parcels, or portions of them, are under contract of sale. The contract prices aggregate $115,525, of which $18,047.80 has been paid.

The market, value, as shown by department appraisals and figures submitted by the company, exceeds the book value by $147,549.08. It has not been deemed necessary to change the company's financial statement on this account.

Insurance.— The company carries insurance on all its build-

ings against loss by fire. It also carries plate glass, general liability and rent insurance. This insurance is taken care of by Mr. George F. White, a broker, and former employee of the company. Mr. White does the same work now as formerly, but receives no salary from the company now.

Management.— All the company's property is under the control of the manager of the real estate department. In New York City rents are payable to the cashier at the home office. The rent bills are sent by the real estate department to the tenants who pay to the cashier. The cashier sends a slip daily to the real estate department showing the collections made. An exception is made with the property at 96th street and Madison avenue, which is in charge of a real estate agent who attends to the renting and receives 5 per cent. of the collections.

The management of the company's foreign buildings has been delegated to the superintendent of foreign agencies. Under his direction the buildings in Cape Town, Sydney, London and Mexico are in the immediate charge of the company's general insurance managers, respectively, while the Paris buildings are locally managed by a real estate man who renders his accounts quarterly.

Deposits on account of rent.— Among the company's liabilities on December 31, 1911, were deposits on account of rent of $4,000 on domestic and $34,730.34 on foreign buildings. These are deposits required of tenants for the faithful carrying out of their part of the lease. These deposits, which are in cash, are held and applied to last payments due by the terms of the lease, but are forfeited should the lease be broken. No interest is allowed on these deposits.

On December 14, 1910, the real estate committee authorized the sale of the property at 146 Boardway to Arthur J. Baldwin on the following terms: $300,000 cash and a purchase money mortgage of $1,650,000 at 4½ per cent. for five years.

On May 10, 1911, the president reported that he had contracted for the sale of this property to the Guaranty Trust Company for $1,950,000 cash. A copy of this contract which is dated May 3, 1911, is filed with these papers.

In order to give possession, it was necessary to cancel the existing leases with their tenants. This was accomplished by paying the amounts shown in the following table:

TENANT	Lease from	Time to run			Annual rent	Bonus to vacate	Date cancelled
		Yr.	*Mo.*	*Da.*			
Weber & Heilbronner	5/1/09 to 5/1/19	7	8	26	$12,000	$7,000	8/14/11
D. A. Schulte.....	5/1/09 to 5/1/19	7	8	26	12,000	7,000	8/ 5/11
U. S. Award and Assessment Co.....	5/1/07 to 5/1/12	0	11	0	3,560	85	6/ 1/11
Isabel Walsh.....	5/1/11 to 5/1/12	0	11	0	350	50	6/ 1/11
Douglas Robinson, Charles S. Brown Co.....	5/1/07 to 5/1/12	0	9	16	10,000	9,500	7/15/11

In the first three cases, the leases provided for liquidated damages in the amounts paid. Isabel Walsh's lease did not provide for any damages but she was paid for expenses incurred for which she submitted a bill. The lease of Douglas Robinson, Chas. S. Brown & Co. had a provision for the cancellation, by either party, on any May 1st, by giving notice ninety days prior to May 1st but no liquidated damages were mentioned. The company being unable to give the required notice of cancellation, was required to pay $7,000 and a further payment of $2,500 to make good an amount paid to a sub-tenant.

Mr. Brown voluntarily returns to the company his proportion of the $8,000 salary paid Douglas Robinson, Chas. S. Brown & Co., as appraisers for the company, although he is not required to do so by law.

Mortgage Loans

On December 31, 1911, the company had outstanding real estate loans of $139,649,737.05. This amount was covered by 2,688 loans, thereby making the average loan $51,953.03.

When an application for a loan is received by the company, and before it is submitted to the real estate committee for action, an appraisal of the property is made by the company's appraisers. If the appraiser receives a regular salary, no fee is charged the borrower, but if the appraiser is paid by a fee, such fee, where the loan is granted, is paid by the borrower.

Titles of all properties mortgaged to the company are passed on by the law department. The company has a regular schedule of fees, charged for the examination of titles, which fees are based on the amount of loan.

Payments are made direct to borrowers, or their authorized agents, for the full amount of loans less the scheduled fees.

All the bonds and mortgages were examined, particular attention being given to see that they had been recorded and that the description of the property, amount of loan, rate of interest, etc. had been correctly entered in the bond and mortgage ledgers and correctly reported in the annual statement. The applications were also examined and from these the original value of the property, as well as changes in value, due to subsequent appraisals, were determined. All extension agreements were checked. Fire insurance policies were examined to see that the amount of insurance reported was correct, that the policies covered the mortgaged premises, and that the company was fully protected against loss. Several errors were found between the amounts reported and the amounts actually carried, but in each case the company seemed to be amply protected. In several instances the insurance was found to greatly exceed the amount of the loan. At least ten thousand policies are on file in the company's vaults. All details are in charge of Mr. George F. White as was the case with the insurance on real estate owned. Attention is called to the contracts this company has with several fire insurance companies. There are two forms of these contracts; the old form contains all the provisions of the mortgagee clause, while the new form states "loss or damage, if any, shall be payable to the Mutual Life Insurance Company of New York, as mortgagee, as interest may appear, without deduction by reason of the provision of any average, co-insurance, or percentage clause contained in the policy, etc."

The company still has some participating mortgages although the number of loans of this kind has been considerably reduced since the last examination. As fast as these loans mature, payment of the participating interest is requested by the company.

The company has purchased a number of guaranteed loans, where the guarantor receives one-half of 1 per cent. annually. In some cases the company collects the full amount of interest from the borrower and remits to the guarantor the amount due.

Whenever a mortgagor desires to pay the principal before maturity a bonus is charged. The usual rule is to charge the mortgagor for the unexpired time, the difference between 4 per cent.

and the rate paid. Where the difference is small, or the loan has only a few months to run, the company usually demands interest in full to maturity. During 1911 the bonuses amounted to $14,582.98 and were reported as interest received. Interest received, including bonuses, was verified and the unearned portion computed. The accrued interest to December 31, 1911, was also computed on each loan. The average rate of interest during 1911 was 4.742 per cent.

Whenever purchase money mortgages have been taken for real estate sold it was found that the company had received substantial payments.

Forty-one mortgages were found to be in excess of two-thirds of the appraised value of the property. The excess amounted to $621,737.51. All such loans are reduced when mortgage expires. In this connection it may be stated that it is a rule of the company to have the various pieces of property examined and, in some cases, every year. If the property shows a depreciation the company usually declines to renew the loan for a definite period, but requires the mortgagor to accept an open loan and make payments on account of principal at each interest date until the company is satisfied that the loan is a safe one.

The applications for loans made since the last examination were compared with the minutes of the real estate committee to see that the loans had been properly authorized, and that the amount of the loan and the rate of interest agreed. No errors were found. From an examination of the correspondence attached to the applications it is evident that reasonable care was taken before authorizing a loan. In many instances the applications are referred to the president of the company with power to act, and in these cases, if approved, the applications carry the initials of the president.

Policy Loans

There were in force on December 31, 1911, about one hundred and five thousand loans secured by assignment of the company's policies. The loans and loan cards are kept in twelve sections, each of which is balanced separately with the company's books at the end of the year. As it would have been impossible in the time allowed for the examination to make a complete audit, it was decided to check two sections of the domestic loans and all

the loans in the Paris and Stockholm agencies of the foreign loans. These sections approximated twenty-five thousand loans.

Special cards giving loan number, policy number, and amount of loan were prepared from the company's loan cards. These were first checked against the adding machine tapes used in balancing the corresponding sections on December 31, 1911, and found to agree.

They were next compared with the loan envelopes and those loans which were found in force were checked. Those which had been repaid since December 31 were marked to show mode of repayment. The repaid loans, as well as the totals of the sections examined were traced to the policy loan abstracts and the general ledger.

Interest at the rate of 5 per cent. per annum is collected in advance on loans made upon polices issued prior to 1907, and at maturity for loans made on subsequent issues. Interest calculations were thoroughly tested and loan notes were examined as to sufficiency of signatures. Premiums, not yet due, which are deducted from loans are taken at their discounted value.

The records in the loan department are well kept and are balanced monthly with the auditor. Loans in force, interest received during the year, interest paid in advance and interest accrued are correctly reported in the annual statement. No loan is made in excess of the cash value of the policy at the maturity of the loan.

An analysis of the loan figures for the year shows:

Loans outstanding December 31, 1910			$70,953,535 55
Loans made in 1911		$34,738,616 28	
Loans cancelled in 1911:			
By cash	$3,064,625 26		
By new loans	17,974,631 56		
By death claims	1,312,966 32		
By matured endowments.	1,782,032 69		
By surrenders	5,352,420 62		
By dividends	80,776 76		
By annuities	3,352 30		
By nonacceptance	72,856 43		
		23,643,661 94	
Net increase in 1911			5,094,954 34
Loans outstanding Dec. 31, 1911			$76,048,489 89

These loans are divided as follows:

	Domestic	*Foreign*	
Interest prepaid	$65,415,225 57	$8,640,840 63	
Interest deferred	951,627 53	1,040,796 16	
	$66,366,853 10	$9,681,636 79	
			$76,048,489 89

In order to establish the fact that the policies held for loans were in force, the twenty-five thousand cards were compared with the applications from which the age, kind of policy and amount of insurance were added to the cards. Ten applications were not in the files and could not be located. A further check was made against the auditors' premium cards and the actuary's records to determine whether the policy had been issued as applied for, that premiums were being collected, except on those already paid up, and that the proper reserve was carried.

All the premium cards, except those for paid up policies prior to 1901, were found. These show that the policies were issued as applied for, and that premiums are being collected in accordance with the terms of the policy, as originally issued, or as subsequently changed at the request of the insured. Several cards had the amount of insurance incorrectly stated and on one card no amount of insurance had ever been entered. These errors were corrected as found.

In referring to the registrar's records to verify changes it was found that no changes, other than those endorsed on the policy, are recorded. It would seem that all changes should be recorded whether endorsed on the policy or not.

From the actuary's records it was found that the correct reserves were carried for all policies with the following exceptions. Twenty policies, which had become automatically paid up, were afterward reinstated as premium paying and loans made on them at subsequent dates. The auditor was collecting premiums on all of them for the original amounts but in some way the reinstatements had not been recorded in the actuary's books. As a result, the reserve carried was on the basis of paid-up insurance when it should have been on a premium paying basis. The records have been corrected and results in an increase in reserve, as of December 31, 1911, of $4,001.

Owing to these errors, a further test of paid-up policies was made. Five hundred cases were listed from the actuary's valuation books and compared with the auditor's records. Three of the policies were found to be premium paying and two had been surrendered in 1908, resulting in a net decrease in reserve of $123.

Bonds and Stocks

An examination and count of all bonds and stocks owned by and in the possession of the company was made during the week of April 19, 1912, and the par value of such bonds and stocks, as reported in the annual statement for the year ended December 31, 1911, was verified.

The interest due and accrued on bonds was checked, as well as the total interest received during the year. The amounts reported by the company were found to be correct.

A large discrepancy was noted in the amount of interest accrued for the year ended December 31, 1911, and that reported for the year ended December 31, 1910. Upon investigation it was found that prior to December 31, 1911, it had been the practice of the company to deposit coupons becoming due on January 1, before the end of the year and the bank credited them as deposits. This year, however, the coupons were not deposited with the bank until the new year.

In reading the minutes of the finance committee, it was noted that it has been the practice of the company to credit to the account of certain securities all or portions of extra dividends and receipts from sales of rights.

The authority for the reduction of the cost of these securities in the manner stated above was given by various resolutions of the finance committee.

Where a portion only of receipts on account of dividends and sales of rights was used to reduce the cost of securities, the balance of the total amount received was credited to profit and loss.

Cash in Company's Offices

On April 30, 1912, the cash in the home office was counted and a reconciliation prepared to verify the cash on hand December 31, 1911.

The amount of cash in the company's offices as reported by the company was $58,811.36. Of this amount, $2,169.56 was cash in the home office and the balance, $56,641.80, cash in foreign and domestic branch offices.

Cash in Transit Since Received

This item represents the amount of drafts that had been purchased at various branch office banks and sent to the home office.

Deposits in Trust Companies and Banks

The amounts on deposit with the Bank of Montreal and the several city banks and trust companies were reconciled with the balances as shown by the records at the home office.

To facilitate the work of the examiners in verifying the balances in other domestic banks, the company secured reports from the agency managers showing the cash on hand at the agency, together with the bank balances as shown by the agency records at the end of the year 1911. A statement signed by an official of each bank as to the amount on deposit to the credit of the company as of that date was also furnished. The report of the agency manager showed a reconciliation of the agency records with the balance shown by the bank.

For departmental records, and as a further means of verification, official certificates from the different banks and trust companies were requested. These certificates were to show the amount on deposit in such institutions at the close of business December 31, 1911. Nearly all domestic banks and trust companies complied with the request of the department and the balances shown by such certificates were reconciled with the amounts reported by the company with three exceptions. In these three cases additional information has been requested. A few foreign banks refused to comply with the request of the department in regard to the balances on deposit to the credit of the company.

The company has expressed considerable dissatisfaction in relation to the department's request for information in connection with their bank balances and takes the position that the banks have no right to disclose such information without the consent of the company.

Amounts Advanced or Deposited to Pay Policy Claims

This item arises in connection with the payment of claims in foreign countries. Over 70 per cent. of this item represents the remittances made during December to foreign agencies for the payment of claims. Over 14 per cent. consists of cash deposited in various courts pending the settlement of actions. The balance is made up of amounts held in suspense on account of unsatisfactory vouchers. While these amounts have been paid by the agencies, this item is charged therewith until the vouchers have been approved and accepted by the home office.

An analysis of this item was made and it is believed that the amount thereof is correctly reported.

Cash Advanced to Officers and Employees for Traveling, Etc.

The larger portion of this item represents cash advanced to inspectors for the bureau of revision for traveling expenses. The balance consists of working funds in the correspondence, foreign, law, revision and supply departments.

Due and Uncollected Premiums

Receipts for renewal premiums, before being sent to the agencies, are entered in invoice books which are bound monthly, each agency being kept separate. These books are totaled by classes and the agents are charged, in an agency ledger, with amount of the premiums. All payments reported by the agents, as well as the changes and lapses, are credited so that the balance of the ledger should agree with the open items in the invoice books. As policies not paid for within sixty days are lapsed, unless an extension has been granted, the uncollected premiums would be represented by the November and December balances plus any premiums extended beyond December 31. First year premiums were listed from the premium cards. A test of the work shows that the results are substantially correct.

Reinsurance

From the due and unreported premiums, the company deducted $26,634.45 representing reinsurance premiums due to other companies; $4,764.69 of this sum was for reinsurance of policies on which the company had already received the premiums.

This amount should not have been deducted from the uncollected premiums, but should have been carried as an unpaid liability account, and it has been so treated in this report.

Deferred Premiums

In the domestic department, this item was made up by listing all such premiums from the invoice books before mentioned. Beginning with the July entries, a notation is made opposite each quarterly and semi-annual premium, showing which instalment is due. At the end of the year all such premiums showing one or more installments due after December 31, are listed. To test the accuracy of this work, cards were written for each premium listed for two large agencies, and these premiums were traced to the invoice books where the policy number and anniversary of the policy were added. Each card was then compared with the premium card. The totals of the two lists were traced to the recapitulation sheets and the totals of the recapitulation sheets were then traced to the journal, ledger and annual statement. Numerous errors were found which indicate an overstatement of 4 per cent., amounting to $75,632.45 gross and $55,968.01 net.

In the foreign department, these premiums were listed from the premium cards with more accurate results.

Installments due in the succeeding year but paid in the current year are not included. Ordinarily such premiums are included among the deferred premiums and a corresponding liability set up for premiums paid in advance. The company claims that this method creates a fictitious asset and a corresponding fictitious liability.

Liabilities

Reserves

The net policy reserve of this company on December 31, 1911, was $473,242,332. This reserve was based on the American Experience Tables of Mortality at 3½ per cent. on policies issued prior to January 1, 1907, and at 3 per cent. on policies issued after December 31, 1906, with the exception of annuities. Annuities are based on McClintock's Annuity Table at 3½ per cent. on annuities issued prior to January 1, 1907, and at 3 per cent. on annuities issued after December 31, 1906.

To verify the correctness of these reserves, it was necessary first, to become familiar with the method followed by the company in handling its reserves, and second, to make an exhaustive test of the accuracy of the actuary's records.

The work performed by the examiners consisted of an investigation of:

1. Method of grouping and reporting policies in force.
2. Allotment of dividends at end of deferred periods.
3. Method of recording changes of all descriptions, together with a check of:

1. Accuracy of dividend changes.
2. Accuracy of recording the amount of contingent additions, deferred annuities, and deferred contingent additions.
3. Accuracy of the reserve factors and the extension of the amount as applied against the various ages.
4. Accuracy of the excess reserve required to be carried on the 1899 form policies and tropical and subtropical contracts.
5. Correctness of "balance sheet" totals.
6. Correctness of "summation sheets" showing the total reserve as reported to the Insurance Department.
7. Two years issues of annuities and the method of grouping for reserve purposes.
8. Correctness of all deductions from the reserve on account of policies not yet in force.

The latter check was necessary for the reason that the company values all its policies on a written basis. Consequently deductions are made from the reserves at the end of the year on account of certain policies on which premiums had not yet been received.

The result of these investigations and checks satisfied the examiners that the company's method of accounting for its reserves is very thorough and remarkably accurate. Very few errors were found and these, when brought to the attention of the company, were immediately rectified. The total amount of the reserves on contracts in force on December 31, 1911, is correct.

Present Value of Amounts not yet Due on Supplementary Contracts not Involving Life Contingencies

These contracts are entered in the ledger at the present or commuted value of the future payments. Installments paid are charged, and the interest is accrued and entered monthly on the outstanding balances. In this way the present value is shown at the end of each month.

Liability on Policies Cancelled and not Included in the "Net Reserve" Upon Which a Surrender Value May be Demanded

An investigation into the nature of the liability under this heading was made and it was found that the total consists of the following:

Unclaimed equities under surrendered policies	$37,203 82
Unpaid surrendered policies	54,525 00
Total	$91,728 82

The unclaimed equities under surrendered policies arise from surrenders on account of the non-payment of policy loans. Continued effort is made by the company to pay to the insured any equity that remains in the policy after foreclosure on account of such non-payment. In cases where the insured cannot be located, this liability is set up and maintained by the company until payment has finally been made.

The liability on account of unpaid surrendered policies consists of cases where all papers have been completed in connection with the surrender of policies in foreign countries and no report has been received at the home office as to the final payment.

A detailed account of unclaimed equities under surrendered policies is kept in a special ledger.

From the investigation of the method followed by the company in accounting for these items and the checks employed by the examiners in verifying the amount thereof, the liability reported by the company under this heading is believed to be correct.

Policy Claims

This matter is discussed elsewhere in this report.

Dividends Left With the Company to Accumulate at Interest and the Accrued Interest Thereon

The amount of dividends and interest on deposit with the company on December 31, 1911, was $143.936.07 and the accrued interest was $3,614.76.

An investigation into the method of handling the items entering into this account was made and it was found that a verification of the amount of dividends on deposit with the company was impracticable without the expenditure of considerable time and labor.

It would seem that, for the purpose of an examination, the details of these deposits should be kept so that at least a test check might be made.

Deposits on Account of Pending Insurance

This liability of the company consists of certain premiums held in suspense on account of changes, restorations, or medical or other requirements. It is put on the books of the company by journal entries, the details of which were examined and the total found to be correct as reported.

Due Sundry Parties for Collections Made or Deposits Held for Their Account

This item of liabilities consists of unclaimed, suspense and miscellaneous unsettled accounts. An analysis of the amount was made and found correct.

Outstanding Bills

The company kept its books open until January 10, 1912, and accrued all bills presented to that date. By examining the vouchers paid in January and February of 1912, the following items were found for which no provision was made in the annual statement:

Inspectors' traveling expenses during December	$342 30
Refund of premiums received in error in 1911 on terminated policies	1,262 00
Settlement of policy suits — decisions in 1911	235 50
Real estate expense — repairs, coal, etc.:	
On out-of-town buildings	5,821 04
On home office buildings	6,448 63
Legal fees incurred in 1911	1,880 48
Medical fees for examinations in Nov. and Dec	829 00
Advertising to December 31, 1911	500 00
Total	$17,318 95

These items have been added to the company's figures.

Premiums Paid in Advance

As the premiums paid in advance are reported by the agencies during the year, they are listed on loose-leaf sheets under the year for which the payment is made. At the end of the year a recapitulation, by agencies, is compiled and the grand total is entered in the journal and the ledger. At the same time the ledger balance is adjusted by a contra entry deducting premiums paid in prior years and earned in the current year. While checking the deferred premiums, those paid in advance were also checked. No errors of importance were found.

Vouchers

The expense vouchers for the year 1911 were examined and the months of January, April and December were checked into the Voucher Abstract to note allocation. The vouchers are kept in books, a series of a thousand numbers being assigned to each month beginning with 1,000 for the first month, 2,000 for the second, etc. All the vouchers were on file, were proper expenditures, were approved by the proper officers and in case of payments of special kind were approved by the proper committee of the board of trustees, and were correctly allocated in the abstract.

Voucher No. 2041.— To compensation of F. D. Hollister as inspector of the Battery Park Building during construction of same and where this company made several payments under our loan number 26375. See authority of Real Estate Committee February 1, 1911 — $937.50.

The major portion of the traveling expense vouchers are itemized, but several, notably those of officers and managers of agencies, are made out for lump sums. This is improper.

Investment vouchers.— The vouchers for investment are entered in a separate abstract and are numbered with a cipher prefix. All the vouchers for the year were found and were properly executed with the exception of mortgage loan vouchers which were unsigned. The checks for these vouchers were compared with the vouchers as to indorsements, etc., and were found to be correct.

Legal expenses.— The legal expenses as shown in Schedule " J " were checked at the time the vouchers were examined and were found to be correct, except that a few additional items should

have been given in Schedule "J." The following would seem to be a proper charge to this schedule:

No. 7168.— To costs in suits against various agents in Guthrie.

Total debit	$431 05
Less notes collected	194 00
Balance	$237 05

This item was charged to Supplies and Expense, and represents notes from one to four years old given by agents and on which the company had served summons on the agents in suits. The debit is the cost of serving the summons and filing the complaints. It would seem that this item should be included in the schedule.

In the foreign agencies counsel are retained with a yearly salary and one-half of such salary is charged to settlement of policy claims and one-half to general legal matters.

General legislative matters are looked after by the Association of Life Insurance Presidents and each year that body submits a schedule of each company's proportion of expense in reference to such items. This schedule comprises the larger part of Schedule "K."

SCHEDULE Q

The company's method of computing its margins on first year business is briefly stated as follows:

When a new policy is issued, a premium card is written which gives, in addition to a description of the policy, the gross premium on the basis of payment selected, the net premium annual, semi-annual, and quarterly, the annual loading 3½ per cent. American Experience, and the assumed mortality gains for the first five years of insurance as ascertained by the select and ultimate method of valuation.

After the reports of premium collections have been received from the agencies and audited by the accounting department, the loading and mortality gains, as shown by the premium cards, are entered opposite each policy. These figures are then totaled using one-half of the annual loading for semi-annual premiums and one-fourth for quarterly premiums. The mortality gains are entered when an annual premium or the first installment is paid. Each

month the loading and mortality gains are summarized separately and the totals carried to a register showing the totals for each agency. At the end of the year these agency totals are recapitulated.

When a policy is lapsed the premium card is withdrawn from the files, and a record is made on loose-leaf sheets, for each agency, showing the gross premium received, the cost of the insurance for the time the policy was in force, and the loading and mortality gains previously credited. These sheets are footed and the totals for each agency are posted monthly in the register.

The work was tested by checking, in detail, the entries in the account of the Boston and Chicago agencies for the entire year, and of the Amsterdam, London and Vienna agencies for portions of the year. Footings were verified and checked forward to the summaries, and the totals of the summaries were verified and checked to the register.

Errors.— Many errors were found in the footings. In several instances the total loadings for semi-annual and quarterly premiums, which are set up on an annual basis, were not reduced to correspond with the premiums collected. The most noticeable instance occurred in the London account for September where the overstatement amounted to $790.93. The liability to error in this regard would be eliminated if the semi-annual and quarterly loadings were entered on the premium cards so that the loading could be entered on the sheets to correspond with the premium payments. The net result of these clerical errors does not materially change the result.

Many policies are issued with a special term. In cases where the term extends, at least, to the end of the year, so that the regular policy takes effect in the succeeding year, the loading is credited on the term only, but the entire mortality gains on the regular policy are set up. The only mortality gains which should be credited are those represented by the term contract (the proportional part of the net one-year term premium less the cost of insurance), and the balance necessary to complete mortality gains on the regular policy should be credited in the succeeding year, when the regular premium is collected. The overstatement on these cases amounts to $6,917.22.

On yearly renewable term contracts the company has taken the assumed mortality gains for five years, on the ground that these contracts are in reality life contracts but with yearly increasing premiums instead of level premiums. In the tables furnished by the department the mortality gains on this class of policies are limited to one year, or the net premium less the cost of insurance. The average difference between the two methods would be about $6 per thousand and as the company had over $16,000,000 of these policies in force December 31, 1911, written in 1911, the overstatement would be approximately $100,000. In both the above cases the company is entitled to this under the law.

The figure representing the cost of insurance on terminated policies was furnished by the actuary's department and is about $800 less than the amount shown in the records of the accounting department. The difference is accounted for by the fact that the actuary listed the policies terminated by death, on which the cost was about $400 and did not list class five policies (those written in 1910 but paid for in 1911) on which the cost was about $1,200. The intent of section 97 of the Insurance Law is to allow full loading and mortality gains on all policies on which a full year's premium has been or will be paid. As this is true of all policies terminated by death, such policies should not be considered as policies terminated within the year. In accordance with a letter written early in 1912 by the comptroller of the company to the foreign department, death claims are being listed this year by that department, as policies terminated during the year. They are not so treated by the domestic department.

The expenses charged against new business were found to be approximately correct.

The system is good and aside from the matters mentioned the work is correct.

GAIN AND LOSS EXHIBIT

This exhibit was verified from the records of the company, special attention being given to the actuarial questions involved.

Methods used to obtain loading.— During the year the actuary's department prepares a record of the business issued according to age, kind and amount of insurance, with gross and net premiums on an annual basis.

At the end of the year the total amount of insurance in force for each plan and age is multiplied by the gross and by the net annual premiums, and a percentage of net to gross established. This percentage applied to the gross premiums of the year produces the corresponding net premiums, the difference between the two being the loading.

Method used to obtain the expected mortality on net amount at risk.— This is found by adding the mean reserve at the beginning of the year, the net premiums of the year, and the interest required to maintain the reserve and deducting therefrom the sum of the terminal reserves released by death, maturing endowments, surrenders and terminations, and the mean reserve on December 31. This remainder is used as the expected mortality or cost of insurance and is the balancing item for the gain and loss exhibit.

Surrenders, lapses and changes.—When a policy is terminated by surrender, lapse or change, the terminal reserve is entered on the termination or change card and, at the end of the year these reserves are summarized according to mode of termination and totaled.

The following table shows the gains and losses for the past three years:

Gain from	1909	1910	1911
Loading	$3,882,700 14	$3,804,835 20	$2,922,159 78
Interest	7,664,297 62	8,541,074 12	9,370,276 22
Mortality	3.929.266 38	3,382,121 13	3,621,543 98
Annuities	158,468 04	187,764 34	.....
Surrenders, lapses and changes	578,183 54	996,174 76	1,196,291 00
Special funds and special reserves	.....	6,529,818 25	.....
Profit and loss account	621,125 54	49,091 25	44,234 05
Real estate	982,602 19	162,148 62	693,048 47
Investments	6,883,127 59	2,979,478 64	3,950,117 96
Assets not admitted	.....	224,584 58	7,669 99
Total gains	$24,699,771 04	$26,857,090 89	$21,805,341 45
Annuities	.....	.....	$155,817 74
Dividends	$11,418,947 05	$14,835,768 73	15,647,973 45
Special funds and special reserves	8,145,179 40	.....	601,991 06
Real estate	698,555 59	185,480 04	1,445,834 93

Gain from	1909	1910	1911
Investments	$627,616 40	$5,053,753 12	$3,953,724 27
Assets not admitted	144,445 60		
Change in reserve basis	3,665,027 00	6,782,089 00	
Total losses	$24,699,771 04	$26,857,090 89	$21,805,341 45

Changes in the financial statement resulting from this examination have not been incorporated in the above table.

SALE OF STOCKS

During the three years covered by this examination, the company has reduced its stockholdings by 80,135 shares and $7,123,750 par value.

The shares acquired during this period were received as the company's pro rata share of increases in capital stock through readjustment of capital, or else in lieu of a portion of an investment heretofore represented under another title. These acquisitions involved no expenditure on the part of the company.

The following table shows the year's transactions in the aggregate:

	Number of Shares	*Par Value*
Stocks owned Dec. 31, 1908	469,399	$29,506,900
Stocks acquired 1909	(a) 1,305	65,250
	(b) 2,175	108,750
	472,879	$29,680,900
Stocks sold 1909	29,429	2,192,900
Stocks owned Dec. 31, 1909	443,450	$27,488,000
Stocks acquired 1910	(a) 5,000	500,000
	448,450	$27,988,000
Stocks sold 1910	31,867	3,186,700
Stocks owned Dec. 31, 1910	416,583	$24,801,300
Stocks acquired 1911	(b) 1,750	175,000
	418,333	$24,976,300
Stocks sold 1911	29,069	2,593,150
Stocks owned Dec. 31, 1911	389,264	$22,383,150

(a) Stock dividend.
(b) Received in lieu of a portion of investment heretofore represented by Delaware, Lackawanna and Western Railroad stock.

Limitation of New Business

At a meeting of the committee on insurance and agencies held September 23, 1910, a letter from Vice-President McClintock was submitted. This letter gives reasons for limiting the amount of insurance to be annually written. A preamble and resolutions were adopted indorsing the proposition and recommending favorable action by the board of trustees. On October 26, 1910, the board passed the following preamble and resolution:

Whereas, The limitation of new business substantially as heretofore provided by law is eminently in the interest of the company's policyholders and should be perpetuated by this board; and

Whereas, The limit for paid-for business until the recent change in the law, has been $150,000,000 in any one year, which limit should be substantially preserved, although for technical reasons a margin should be added of about $20,000,000 for policies issued but not yet paid for at the close of each year; therefore be it

Resolved, That the issue of policies be hereafter so restricted that the amount of new policies paid for in any calendar year, together with the policies issued but not yet paid for at the close of the year, shall not exceed $170,000,000.

The reasons for the proposed limitation were briefly — improvement in the quality of risks, thereby reducing the death rate; and economy of administration. All this tends to produce larger dividends, and increased dividends tend to diminish lapses.

The company for the year 1912 wrote approximately $150,000,000 of business, and it has, therefore, now reached a point where a practical test can be made of the principles set forth in the resolutions and in the letter of Vice-President McClintock. The company, as a whole, is conducted efficiently and economically. Further progress will, it is hoped, be made, however, in the direction of economy in caring for and supervising old business. Dividends are large and well within the earning power of the company.

Dividend System of the Mutual Life Insurance Company of New York

Provision for Participation

As its name implies, the company is a purely mutual organization, the charter providing that the policyholders are members of the corporation so long as they remain insured. By an

amendment in the year 1851 provision was made for ascertaining the profits at the end of each period of five years and for crediting each member "with an equitable share of the profits." In case of the death of a member the amount appearing to his credit at the last preceding date of ascertainment was to be paid to his legal representative. In 1862 a further amendment was effected, allowing the company to apply profits either to the purchase of paid-up insurance or in reduction of premiums and permitting the declaration of dividends oftener than each five years, at the option of the company.

The first division of profits was made in 1848 and took the form of reversionary additions, as did the dividends of 1853 and 1858. By 1863 the so-called contribution plan had been introduced by its author, Sheppard Homans, then actuary of the Mutual, and the cash dividend was allowed to be applied upon demand toward the payment of premiums. Competition with companies operating on the premium note plan soon led to the payment of dividends annually in cash.

PRINCIPLES ADOPTED GOVERNING DISTRIBUTION

The Mutual, prior to 1907, wrote largely deferred dividend insurance, much of which is yet to mature as will be seen by the following table, compiled from the annual reports filed with the Department:

Participating Insurance Outstanding Showing Amounts Held for Future Distribution to Deferred Dividend Policies

At 31 Dec.	*Annual Dividend*	*Deferred Dividend*	*Deferred Dividend Fund*
1907.....	$197,630,280 00	$1,160,123,239 00	$66,977,349 00
1908.....	259,954,793 00	1,103,652,007 00	69,675,128 00
1909.....	351,790,813 00	1,015,815,675 00	73,987,087 00
1910.....	451,757,209 00	941,274,960 00	75,164,220 00
1911.....	567,414,280 00	870,092,563 00	75,601,868 00

The deferred dividend fund appears to have reached its high-water mark in 1911, and from now on may be expected to diminish until exhausted.

There are two general methods of treating deferred dividends: (a) the tontine, or "class" system under which the surplus earned on a particular group of policies is returned to the per-

sistent surviving members of the group; and (b) the system which regards the deferred dividend as an accumulation of annual dividends, with a certain addition by way of compensation for the risk which each policyholder runs during the accumulation period of losing his share of surplus by death, discontinuance or other contingency. The latter method describes the deferred dividend plan of the Mutual Life.

Under rules laid down by the board of trustees the matter of surplus distribution is in the hands of the Committee on Insurance and Agencies. The practice for several years, as shown by the minute books, has been to consider in November the scale of dividends to be used for the ensuing calendar year. The formulae and recommendations of the actuary are presented to the committee which in turn makes its recommendation to the board. An estimate is made of the amount required to maintain dividends according to a certain scale and on such estimate the scale is tentatively adopted, to be later ratified when the transactions of the year have been brought to account.

In a letter addressed to the president and dated February 16, 1903, the actuary stated, apropos of a requirement by the German and Austrian governments with reference to stating the principles according to which surplus is divided:

"The dividend system in use for forty years past and upwards unquestionably complies with the company's charter providing that dividends must be equitably distributed."

ANNUAL DIVIDENDS

The present formula for annual dividends employs two factors, namely, (1) excess interest on the initial reserve and (2) loading. The interest factor is the difference between the assumed rate upon which the net premium is based and 4.4 per cent. This rate is approximately the rate earned according to the company's interest calculation for 1911 as follows:

Net income	$25,419,767 75	(1)
Mean admitted assets	$579,994,663 02	
Less one-half of net income	12,709,883 88	
Balance	$567,284,779 14	(2)

Dividing (1) by (2) = .04481.

A similar calculation for the two years preceding results as follows:

For 1909 = .04424; for 1910 = .04475.

INTEREST RATES

The rates of interest used in the dividend calculations are as follows for the years stated:

Year	*For Premium-paying Policies*	*For Paid-up Policies and Dividend Additions*
1888	5%	5%
1889	5%	5%
1890	5%	4.75%
1891	5%	4.75%
1892	5%	4.75%
1893	5%	4.75%
1894	5%	4.45%
1895	4⅔%	4.45%
1896	4⅔%	4.45%
1897	4⅔%	4.45%
1898	4⅔%	4.375%
1899	4⅔%	4.3%
1900	4⅔%	4.3%
1901	4⅔%	4.3%
1902	4⅔%	4.3%
1903	4.3%	4.3%
1904	4.1%	4.1%
1905	4.1%	4.1%
1906	4.1%	4.1%
1907	4.2%	4.2%
1908	4.4%	4.4%
1909	4.4%	4.4%
1910	4.4%	4.4%
1911	4.4%	4.4%
1912	4.4%	4.4%

Since 1903 the same rate has been used for paid-up as for premium-paying policies. In the years 1890–1902 a slightly lower rate was taken on the paid-up policies "as a contribution towards expenses."

The loading factors used in the 1911 dividends calculations follow a rule which briefly stated is:

Rule: For a policy one year in force — 60 per cent. of the loading, increased by 1 per cent. for 3 per cent. policies (1907 rates); increased by 1½ per cent. for 3½ per cent. policies (1898

to 1906 rates); increased by 2 per cent. for 4 per cent. policies (1897 or earlier); for each additional year in force, but in no case less than 75 per cent.

According to this rule the loading percentages run from the minimum of 75 per cent. for recent policy issues to the maximum of 192 per cent. for the issues of 1844. Other examples are shown in the following schedule:

Year of Issue	*Per Cent*	*Year of Issue*	*Per Cent*
1845	190	1895	90
1855	170	1905	*67.5
1865	150	1906	*66
1875	130	1907	*63
1885	110	1908	*62

The scale of dividends which results from the above formula yields the largest returns ever paid by the company.

The loading schedule has been very considerably increased since 1907, as the following figures show:

No. of Years Policy in Force	*Percentage of Loading Refunded as Part of Annual Dividend*				
	1907	*1908*	*1909*	*1910*	*1911*
1	37.5	43.	50.	57.	75.
2	38.5	44.5	51.	58.	75.
3	39.5	46.	53.	59.	75.
4	40.7	47.5	54.5	61.5	75.
5	42.1	49.	56.	63.	75.
10	51.8	56.5	63.5	70.5	75.
15	63.3	71.	78.	85.	88.
20	74.8	81.	88.	95.	98.
30	98.8	101.	108.	115.	118.

The resolutions adopting the 1911 scale were proposed by the actuary on November 17, 1910, in a letter addressed to the president reading in part as follows:

"The only change of importance from last year's resolutions, consists in an increase of 3% of the loading on each policy, with the proviso, as regards the policies issued in any year, that the percentage of loading shall in no case be less than 75% * * * It will be seen that this year's resolution, in arranging the above proviso, has the effect, as regards the older policies, of continuing the usual increasing sliding scale, starting from 60% instead of 57%, but, as regards the younger policies, provides a minimum of 75% in order to meet the universal practice of other companies which is to give the same percentage from the beginning."

*Used only in obtaining the gradation; actual percentage used is 75%.

The matter of paying dividends on new insurance at the end of the first policy year was decided in December, 1907, by the following resolution:

"Resolved that policies issued in 1907 be entitled to a dividend in 1908 according to the long standing custom of this company, notwithstanding a difference of opinion which has recently arisen in other companies."

The same practice continues in force at the present time.

The dividend resolutions of 1907 include a statement showing the practice of the company in the calculation of deferred dividends. As the best means of describing such practice the exact language is here quoted:

"That the dividends to be allotted to 5, 10, 15 and 20-Year Distribution Period policies which become entitled to dividends on their respective anniversaries in 1908, if then in force, be determined (in accordance with the method adopted and ratified by the Board of Trustees in March 28, 1906) by increasing the accumulated amounts of the annual dividends which the policies might have received had they been entitled by contract to receive dividends annually, by percentages graded mathematically according to the ages of the insured, by way of compensation for the risks incurred by the holders of such policies, during such period, of losing all interest in the surplus by death, discontinuance, or otherwise, and that such percentage be the sum of the constant percentage and the variable percentage indicated in the following table:"

The table referred to is a schedule of percentages which, applied to an individual policy, represents its share of surplus over and above the accumulated annual dividends, such share being derived from foreborne dividends forfeited by those policyholders who have lapsed or surrendered their policies, or who have died, prior to the end of the accumulation period. The following are examples of profit factors employed in ascertaining the 1912 dividend applicable to 20-payment policies issued in 1892 on the 20-year distribution plan:

PROFIT FACTORS: 20-payment-20 D. P. policies
FORMULA: $1.252+9qx+13$.

Age at Issue	*Constant Percentage*	*Variable Percentage*	*Sum = Profit Factor*
21	1.252	.079479	1.331479
30	1.252	.094653	1.346653
40	1.252	.146997	1.398997
50	1.252	.305487	1.557487
60	1.252	.721602	1.973602

From these factors it will be observed that the risk of losing surplus through lapse is assumed to be independent of the age

of the insured, while the risk of loss on account of death is recognized to be one that increases as the policyholder grows older.

Compensation for Other Risks

In November, 1909, a resolution was adopted providing for further compensation to deferred dividend policyholders "for the risk run during the distribution period of losing surplus through impairment of the fund held for such future dividends, such compensation to be at a rate equal to one-twentieth of one per cent. for each year in the dividend period upon the accumulated amount of the annual dividends and to be in addition to the usual adjusted percentage compensation given for the risk run of losing surplus by death or discontinuance."

Changes from Deferred to Annual Dividend Policies

Such changes are permitted only upon satisfactory medical examination and when made the annual dividends are granted in terms of paid-up insurance. In such cases the policyholder so changing, forfeits all interest in the foreborne dividend fund and also the accumulated interest on his own annual dividends to the date of change. By this means the equities of the deferred dividend policyholders are safeguarded.

Change of Reserve Basis

In July, 1910, a vote was passed to value at 3½ per cent. policies theretofore valued at 4 per cent., "provided however that for dividend purposes such policies shall hereafter be entitled to receive the surplus on a 4 per cent. basis as heretofore."

The Policy of "Surplus-Production" and Limitation of New Business

The idea of limiting the amount of new business has taken definite form with this company in a resolution passed in September, 1910, after the statutory limitation of $150,000,000 had been modified. Leading up to this action a memorandum was submitted to the president by the then vice-president, Mr. McClintock, setting forth certain reasons why in his judgment it would be in the interest of conservation to fix $170,000,000 as

the outside limit of written business that the company should accept each year. These may be summarized thus:

"1. The greater the size of any company the smaller must be its annual growth.

"2. The oldest and strongest company should take the lead in a voluntary limitation.

"3. What is saved in the expense of new business goes to increase the dividends of the policyholders.

"4. Increased dividends diminish lapsing, thereby causing a still further increase in dividends.

"5. Under limitation the quality of our risks will be improved, thus again adding to the dividends.

"6. Still further economies are practicable under limitation which will again add to the dividends.

"7. A limitation is just, because the dividends belong to the policyholders who own the company and who are the company."

DEFERRED DIVIDEND FUND

This fund, as reported to the Department in Schedule P as of December 31, 1911, has been test-checked by the examiners as mentioned in their report. The amount of such fund at the date above mentioned was $75,601,868.03 and is composed of the following general items:

(1) Surplus held awaiting apportionment on policies outstanding December 31, 1911	$69,311,647 48
(2) Foreborne accumulations on terminated policies with interest to July 1, 1912	12,556,882 84
(3) Special fund for 20 D. P. policies in force December 31, 1911	3,258,740 71
(4) Sum of the above	$85,127,271 03
(5) Less extra reserves on policies issued on "1899 form".	9,525,403 00
(6) Amount reported in Schedule P	$75,601,868 03

Item (3) is a special fund created by authority of the board for the purpose of maintaining up to a designated minimum the deferred dividends on certain policies where the annual dividend units have been extraordinarily diminished by fluctuations in the interest rate and other influences during the distribution period. The exact language of the resolution is,

"If the deferred dividend * * * shall be smaller for any policy than that allotted to a similar policy on the same reserve basis in the previous year, the dividend of the previous year shall be substituted therefor; and that the increased amount required to enable future dividends to be calculated in this manner shall be added to the fund already held for such future dividends."

Item (5) perhaps needs explanation also. Policies issued on the 1899 form provide surrender values at the end of the distribution period which exceed the American 3½ per cent. reserve. The present value of such excess constitutes this item. At the end of the period the total surrender value (reserve and surplus) is the same on these policies as if they were entitled only to the regular guarantees, the dividend being diminished by the amount of the excess surrender value.

SURPLUS EARNINGS AND DIVIDENDS

A comparative statement is here given showing the earnings from what may be termed the normal or regular sources of surplus, viz., interest, loading, mortality, surrendered and lapsed policies. Also the amounts paid, set aside or otherwise devoted to dividend purposes in the years 1906-1911 inclusive:

Year	*Interest Gains* (1)	*Gains from Loading Mortality and Surrenders* (2)	*Total Gains from the Normal Sources* (3)	*Accumulated Totals* (4)
1906	$5,276,424	$10,402,844	$15,679,268	$15 679,268
1907	6,455,856	8,654,003	15,109,859	30,789,127
1908	7,120,687	9,941,224	17,061,911	47,851,038
1909	7,664,298	8,388,150	16,052,448	63,903,486
1910	8,541,074	8,183,131	16,724,205	80,627,691
1911	9,370,276	7,739,995	17,110,271	97,737,962

Year	*Annual and Deferred Dividends Paid* (5)	*Increase in Dividend Funds* (6)	*Total Surplus Used for Dividend Purposes* (7)	*Accumulated Totals* (8)
1906	$2,785,919	$6,314,812	$9,100,731	$9,100,731
1907	4,321,493	6,580,658	10,902,151	20,002,882
1908	8,311,255	5,534,909	13,846,164	33,849,046
1909	11,005,914	6,034,461	*17,040,375	50,889,421
1910	12,301,770	2,533,999	14,835,769	65,725,190
1911	13,631,858	2,016,115	15,647,973	81,373,163

VARIATIONS IN DIVIDEND PAID ON PARTICULAR CLASSES OF POLICIES

A resolution passed in December, 1907, includes a statement to the effect that policies issued at any time in Mexico or elsewhere, at premium rates in excess of domestic rates, are to have the same dividends as those allotted to domestic policies.

* Special amount added to deferred dividend fund.

Policies issued at domestic rates different from the standard rates on which dividends are based are subject to adjustment equal to the difference in premiums. The net cost according to each system of domestic rates is therefore the same.

Certain policies issued in the years 1879–1884 inclusive, call for low rates of premium on which the dividends have been small and disappointing to the policyholders. There appears to be no ground for complaint, however, except the inability of the insured to appreciate that the reduced rates result in a reduced dividend-earning power while the net cost is nevertheless just as low as on corresponding policies calling for higher premium rates.

SUMMARY

The foregoing statements speak largely for themselves. A word or two by way of comment however is in order at this point. In the examination of this and other dividend-distribution systems it has been the aim to analyze and justify the reasoning underlying the principles adopted rather than to raise hair-breadth questions for technical discussion. It is the department's experience that competitors are ever ready to seize upon some feature of a company's dividend scheme and to argue that it works a hardship to some particular class of policyholders. It is no doubt true that competition largely determines the dividends and that the tendency is to favor the newly acquired member at the expense of the one of long standing membership. The former can see results almost at once and if dissatisfied can change companies without great sacrifice. Not so, however, with the other. He may be in the uninsurable class or the holder of a long-term distribution policy such as cannot be discontinued without great loss. There are an infinite number of ways of constructing a plan for distributing surplus, any one of which might be found to possess flaws. Exact theoretical equity is practically impossible to attain. Substantial justice is the alternative.

The plan adopted by this company of treating deferred dividends as the accumulation of annual units is commendable, as, also, is the general principle involved in distributing the surplus forfeited by death, viz., employing compensation factors which are a function of the rate of mortality.

The large early dividends paid by this company on annual dividend policies are the subject of criticism in some quarters. It is not altogether clear why the loading factor is graded up from 60 per cent. while at the same time the percentage applied to new business is 75 per cent. unless it is that for competitive reasons the early dividends have been purposely enlarged. There are so many ways of arguing on this that no positive conclusion is apparent to your examiner. With this possible exception it appears that there is no discrimination involved in the Mutual's system of surplus distribution, all classes of policies sharing equitably.

NEDERLAND LIMITED LIABILITY LIFE INSURANCE COMPANY— UNITED STATES BRANCH

New York, N. Y.

Examination on condition as of December 31, 1912.
Report dated January 9, 1913.
Chief Examiner: Nelson B. Hadley.
Assistant Examiners: Heath, Sanders and Kirchgessner.

Organization

This corporation was organized in 1858 under the laws of the Kingdom of the Netherlands. In 1893, it established the United States branch office, deposited $200,000 in approved securities with the Superintendent of Insurance in conformity with section 27 of the general provisions of the Insurance Law, and obtained a license to transact business as a life insurance corporation. On April 1, 1897, the branch office discontinued the transaction of new business, and since that date has been in a state of gradual liquidation.

Trust Deed

Under the terms of the trust deed executed in 1909 and terminating January 31, 1913, William North Duane and Benjamin Barker were appointed trustees by the board of managers of the

home office to have supervision over the general management of the branch office of the company of which the president is entrusted with the general management. Such deed requires the assets held by the trustees to be equal to the net reserve of all outstanding policies in force in the United States, and to pay over the interest or income arising from said securities, as the same shall accrue, unto the president of the branch office.

Management

All accounts of the branch office must be examined and passed upon by the board of managers of the company. Each month true copies of all documents and accounts are forwarded to the home office. The board of trustees of which the president is chairman is entrusted with the power to purchase, sell or exchange securities, subject to the approval of the company and subject to the regulations for the board of trustees.

Financial Statement

Income

Premium income	$104,810 92
Interest	51,373 24
Gross decrease by adjustment in book value of ledger assets, viz.:	
Bonds (including $837.36 for accrual of discount)	837 36
Total income	$157,021 52
Ledger assets, December 31, 1911	1,363,901 93
Total	$1,520,923 45

Disbursements

Paid policyholders	$114,292 49
Paid for claims on supplementary contracts not involving life contingencies	432 50
Commissions to agents on renewal premiums	1,430 77
Salaries and all other compensation of officers and employees	7,273 50
Miscellaneous	1,723 29
Gross decrease by adjustment in book value of ledger assets, viz.:	
Bonds (including $563.74 for amortization of premiums)	563 74
Total disbursements	$125,716 29
Balance	$1,395,207 16

Ledger Assets

Loans on policies		$220,127 61
Book value of bonds $1,155,767.83, and stocks $13,720.92		1,169,488 75
Cash in company's office		14 46
Deposited in trust company on interest		4,976 34
Bills receivable		600 00
Total		$1,395,207 16

Non-Ledger Assets

Interest due and accrued		13,909 69
Gross premiums due	$5,131 25	
Gross deferred premiums	16,132 30	
Total	$21,263 55	
Deduct loading	813 51	
Net uncollected and deferred premiums		20,450 04
Gross assets		$1,429,566 89

Deduct Assets Not Admitted

Bills receivable	$600 00	
Book value of bonds not subject to amortization and stocks over market value	4,280 53	
Policy loans and net premiums in excess of the net value of their policies	1,072 72	
Total		5,953 25
Admitted assets		$1,423,613 64

Liabilities, Surplus and Other Funds.

Net present value of all policies "paid for" and in force on the 31st day of December, 1912, as computed by New York Insurance Department, on the following table of mortality and rate of interest, viz.:	
Actuaries' table at 4% on all issues	$1,130,739 00
Deduct net value of risks of this company reinsured in admitted companies	1,826 00
Net reserve (paid for basis)	$1,128,913 00
Present value of amounts due on supplementary contracts not involving life contingencies	2,270 43
Liability on policies cancelled upon which a surrender value may be demanded	26 27
Additional reserve for policies where actual premium is less than net premium	1,115 51
Death losses reported, no proofs received	5,208 00

All other liabilities	$6,151 13
Deposited with the Superintendent of Insurance at Albany, N. Y., for the protection of policyholders	200,000 00
Surplus	79,929 30
Total	$1,423,613 64

Income and Disbursements

A substantial verification has been made of items of income and disbursement. This work included a reconciliation of agents' reports and receipts from interest with the cash book and ledger, and an examination of receipted bills, and cancelled vouchers for disbursement items.

Reserve Liability

The reserve liability charged by this Department, as a result of an annual valuation of each policy, was verified as to the amount of insurance in force and correctness of the descriptions of each policy.

Comparatively few errors were found and these were corrected in the Department register by the company.

Reinsurance

A deduction in the reserve of $1,826 represents the reserve on $56,800 insurance which has been reinsured in admitted companies. The company is now paying premiums on $426,700 reinsurance in European life insurance companies or companies which are not admitted to do business in New York State, upon which no credit is received for the reserve carried by the foreign companies. This reserve is estimated by the company to be approximately $35,000.

Yearly Optional Insurance Bond

This is a special form of policy upon which the actual premium at certain ages is less than the net premiums. Only applicants between the ages of 20 and 40 were insurable under this form of contract, and the premium for all ages is $35 per $1,000 insurance. After the third year, the amount of insurance payable increases until the insured reaches the age of 70, at which

time he must exercise one of two options, viz.: A cash surrender value, or a paid-up policy and cash.

On eight of these policies in force December 31, 1912, the actual premium received is less than the net premium, and in accordance with section 85 of the Insurance Law, this liability has been ascertained.

Death Claims

The policy of the company in so far as the rights of its beneficiaries are affected has received careful consideration in the course of this examination.

The company is prompt in the payment of claims and does not unwarrantably resist or compromise them; in fact it has been many years since a claim was either resisted or compromised.

Interest Refunded on Loans Cancelled by Death

There appears to be no fixed date to which interest is charged on loans cancelled by death. The basis used is one of mere assumption. In ascertaining the interest to be refunded, the company computes the interest upon the date of notification of death, assuming that it will take approximately so many days to receive satisfactory proofs and then a few more days to receive releases properly filled out and executed, and charging interest upon the above assumption to the date it is expected the receipt will be received. It is therefore clearly seen that the above method may work either to the advantage or disadvantage of the beneficiary.

A liability item of $109.84 has been charged, which represents unearned interest due and unpaid on loans cancelled by death. In accordance with instructions received from the board of managers, the president of the branch office has held the above amount awaiting claim thereto by the insured's estate, it being assumed that in cases where the wife is beneficiary that the unearned interest was the rightful property of the estate of the insured. Consequently, no effort has been made to find out whether the insured had an estate, and whether the proceeds might be given to the beneficiary. The president informs your examiner that he

will write to the beneficiaries in these cases and those that may follow, to notify them that there is a certain amount of unearned interest which the estate may claim.

Deferred and Uncollected Premiums

Due and deferred premiums were listed from the premium cards, and the net premium computed for each policy. The gross premiums now charged are as follows: For combined-term and life or limited-payment life policies, the actuaries' experience 4 per cent. net premiums without loading; for policies issued without the combined term feature, the actuaries' experience 4 per cent. net premium loaded 10 per cent. The gross premiums charged were rated for the younger age at issue.

Surrender and Paid-up Values

All the policy contracts of this company contain a clause waiving the provisions of section 88 of the Insurance Law. The rules and methods applied by the company in ascertaining surrender and paid-up values differ with the various forms and issues of policy contracts. By applying the rules and methods of the company it was found that the computations were correctly made.

Salaries of Officers and Trustees

The officers and trustees of the company and their compensation follows:

President — L. I. Dubourcq, $4,000.
Secretary and Treasurer — A. W. C. Pilgrim, Jr., $1,560.
Trustee — Benjamin Barker, $600.
Trustee — W. North Duane, $600.

Conclusion

All the policies of this company were issued on a non-participating basis. On the date of this examination there were 1,208 policies in force representing $3,410,121 outstanding insurance.

Although the management has endeavored to reduce to a minimum its running expenses, by prudent economies, the loading which is approximately 3 per cent. of the premium income is

not sufficiently large to enable the company to make a gain from this source. At present mortality and interest constitute the principal sources of gain. It is apparent in view of the fact that this company is no longer writing new business, that it is only a question of time before the gradual decreasing gain from interest and mortality will be increasingly offset by the running expenses, resulting in an ultimate depletion of its surplus.

THE POSTAL LIFE INSURANCE COMPANY

New York, N. Y.

Examination on condition as of June 30, 1912.
Report dated December 12, 1912.
Superintendent's memorandum dated December 16, 1912.
Chief Examiner: Nelson B. Hadley.
Assistant Examiners: Smith, Derrick, Finkelstone, Feder, German, Kirchgessner, Kirker, Norton, Sanders, Streeter, Wood.

Memorandum in Respect to the Examination of the Postal Life Insurance Company

The examination of the Postal Life Insurance Company has extended over a several months' period of time, and it was found desirable, after part of the work was completed, that the examination should be brought up to June 30th, so as to get the results of the combined company for as long a time as was feasible. The examination has shown that the method of writing insurance by mail brings the policyholder in communication with the home office of the company. The company is free from litigation arising from questions with its own Postal policyholders. The litigation it has now in hand is practically all taken over from the Provident Savings. There is merit in the health work of the medical department, not only to the company and its policyholders, but to the general public as well. Notwithstanding unusual expenses in 1912 for betterment, the company has sustained no actual loss in surplus since its last annual statement, other than

that created by the change in the method of reserves and accounting, and the elimination of certain items which were reported as admitted assets in such statement. Applying the same method of reserves and accounting to the two companies, as of the date of the reinsurance, as is applied now, gains have been made. It is claimed by the company that there has been an increase in surplus since June 30, 1912, and up to December 1, 1912, of $40,068.22.

The report shows that there has been a general improvement in the condition of the company and a number of improvements in the handling of the business and the treatment of the various questions which arise out of the large amount of reinsured business, such as occurs in this company. The taking over of the business of the Provident Savings Life Assurance Society by a company much smaller and the working out of its problems was a difficult one. The real estate problem has been and is the most important one for the management. The organization of a corporation to take all the real estate, except the home office building, which the law allows it to continue to hold, under which arrangement $80,000 of cash is put into the company, I trust is the beginning of the end of this company's real estate problem.

This company began business in June, 1905. Its method adopted for securing business was through advertising and circularizing, it being the first and only company in this State to rely on this method of securing business. In 1908, a reinsurance agreement was entered into with the receivers of the Mutual Reserve Life Insurance Company, whereby a portion of its business was taken over by the Postal. In 1909, the business of the Economic Life was reinsured, and on January 19, 1911, the business of the Provident Savings Life Assurance Society was reinsured as of December 31, 1910.

Different conditions and problems were found to apply to the business derived from the various sources. The separation of business more particularly applies to that of the Provident Savings Life Assurance Society. The same office methods and practically the same employees have been continued by the Postal.

Provident Reinsurance Contract

The Provident Savings report to the insurance department on December 31, 1910, shows that the insurance then in force, transferred to the Postal was:

Ordinary	$58,474,236
Industrial	39,430
Total	$58,513,666

The same statement shows a premium income for the year 1910 of $2,094,399.70, and assets transferred to the Postal Life, by the terms of the reinsurance contract, of $9,854,027.20.

The Postal's report of December 31, 1910, shows that, excluding the Provident's business, it had, at that time, business in force amounting to $4,195,295. Its premium income for 1910 was $139,347.73, and its admitted assets, less the amount of assets transferred from the Provident and the increase by adjustment of book value of such assets, were $946,832.37. This figure includes non-ledger accounts of Provident assets. At the time of the reinsurance the Provident owned real estate, as reported by the Postal, of $3,875,563.

A copy of the contract of reinsurance is attached. As a further protection, leading stockholders and directors of the Postal entered into an agreement, guaranteeing to keep it (the Postal) always solvent, and pledging their personal financial resources to that end.

The Postal has been and is securing from the parties in interest the execution of so-called "assumption agreements." The effect of such an agreement is to substitute the Postal in place of the Provident, so far as the contractual relation between the parties is concerned, and to relieve the Provident from any liability on account of the policy contract issued by it.

Mutual Reserve Receivers' Contract

Reserve and impairment liens: June 1, 1908, a contract was entered into between the receivers of the Mutual Reserve Life Insurance Company and the Postal. The contract provided for an application to the Postal Life by certain Mutual Reserve policy-

holders before July 30, 1908; surrender of their policies and issue of a Postal policy. If the preliminary requirements were complied with, such policy must issue. It might issue with a reserve lien only, or subject to both a reserve lien and an impairment lien. The reserve lien was to be the amount of the mean reserve calculated to have accrued on Mutual Reserve policies June 30, 1908, taking into consideration as a reduction of this lien net premium payments to the receivers. This lien was of the nature of a loan, bearing interest payable yearly in advance July 1st, and is a proper charge upon the policy.

In such cases as the Postal might decide were not satisfactory insurance risks, either from the application or as a result of a medical examination, it had, by the agreement, the right to impose an impairment lien. This lien was to be the amount of the single premium at the assured's attained age sufficient to purchase the amount of insurance taken over by the Postal, less the amount of the reserve lien. This impairment lien was to be decreased at the end of each year by the amount of the automatic increase of the reserve under the policy. The impairment lien did not bear interest, was not endorsed upon the policy and was not a loan or charge against the policy, except in case of a death settlement.

It appears that in the original calculation of such liens, where the anniversary date of the Mutual Reserve policy occurred after June 30th, that the attained age used was a year higher than the actual age, thus making the impairment lien larger than it otherwise would have been. The reduction of the impairment lien is to be calculated at the end of each policy year.

PROVIDENT YEARLY RENEWABLE TERM LEVEL-RATE POLICIES

From 1883 to 1888 the Provident issued various forms of yearly renewable term policies. These policies in many respects resemble assessment policies. They provide for a "death fund" and a "special reserve" or "guaranty fund." Some of the earlier policies provide for "calls" upon the policyholders to meet death claims, and the correspondence in some of these cases serves to show that this assessment idea was carried out in the dealings with the policyholders.

Beginning with the year 1888, the plan of the yearly term policies was changed. The general theory of these and subsequent issues which were known as "level rate" or "Y. R. T." policies was that heavily loaded renewable term rates were to be charged. Any portion of such gross rate, less a specified maximum expense charge (usually $4.00 on $1,000 insurance), was applicable in settlement of death claims. The amount necessary to meet any current year's mortality expense was called the "death fund." The balance, if any, was to be deposited as a surplus or "guaranty fund," so called, to keep level the otherwise necessarily increasing yearly renewable term rates.

This class of policies provide for a yearly renewal of the policy at an increasing rate of premium as the age of the insured increased. The policy, however, contained modifying provisions to the effect that in the event of the experience of the company showing that the mortality cost of any one year was less than the insurance portion of the premium for that year, this excess over the actual cost should be deposited in a surplus or guaranty fund to be used as credits in succeeding years to keep level, if possible, the otherwise increasing premiums.

It is evident that it was the intention to base this excess on the maximum premium collectible in each year, as it should not matter to the company whether all of such premium were paid by the policyholder in cash, or part in cash and the balance from funds carried forward from previous years' favorable experience. As a matter of fact, the company did take into its premium income, until the year 1910, the maximum premium at attained age, the guaranty fund being charged with the credit on the premium necessary to make up the difference between the cash collected and the maximum premium.

In practice, the Provident seems to have allowed a greater amount of credit than was justified by its mortality experience and to have collected a smaller cash premium than was sufficient to cover the mortality cost of the year for which it was collected. This practice resulted in excessive charges against the surplus or guaranty fund or an overdraft against such fund from other funds of the company.

The mortality experience on these policies for the year 1911–12 has been within the maximum insurance portion of the premiums.

The company's position is that the experience of each policy, since its issue, should be calculated; that the mortality cost for each year should be set up against the cash premium actually collected for that year; that the resulting surpluses or deficiencies from each year should be applied, the one against the other; that the net surplus or net deficiency thus obtained through a series of years should be the starting figure from which future calculations under the policy should be made.

TWENTY-FIVE PER CENT. GUARANTY FUND

A schedule is filed with this report, giving the renewal provisions in the participating yearly renewal term policies issued from 1883 through 1899.

The first of these policies, that of 1883, provides for a special reserve fund which may be used —

(1) To make good any possible deficiency in the death fund;
(2) To lessen mortuary payments (premiums);
(3) After ten years, on the surrender of the policy, "the full share of the accumulated reserve fund thereon may be applied to the purchase of paid-up insurance in this society".

The "mortuary call" policies of 1883–4 provided for 25 per cent. of the insurance portion of the premium to be deposited or invested for a guaranty fund "additional to the capital as a further protection to policyholders." The full share of the guaranty fund thus provided for, after ten years, might be applied as designated in the policy.

The mortuary policies of 1886 and 1885 are similar in essential details.

The "mutual" policies of 1887–8 are radically different from the foregoing. These forms provide that 25 per cent. of premium shall be deposited or invested "as a guaranty fund." "The surplus amounts thus contributed" after ten years are to be applied, etc.

The Y. R. T. forms 218, 219, 225 and 224 of 1888–9 are essentially similar, differing only in the provisions as to application of the "surplus of amounts thus contributed."

The following schedule of yearly renewable term business of

the Provident in force December 31, 1911, has been prepared and submitted by the company:

Issue	Form	Policies	
1883	Calls	7	$23,000
1883, 1884, 1885, 1886	Mortuary	106	359,250
1887, 1888	Mutual	88	253,500
1888, 1889	Y. R. T. 218, 219, 224, 225	215	570,225
1889	L. R. 235/240	179	519,500
1890, 1890, 1891	L. R. 263/312	1,113	2,691,870
1894	L. R. 361	318	762,000
1897, 1899	L. R. 501	48	124,500
	Y. R. T. — Non-Par.	102	280,245
		2,176	$5,584,090

Reserve

The actuarial records of the Provident Life seem to be sufficient. The records as presented were a complete whole.

As reported by the company December 31, 1911, there were 23,428 Provident policies in force, and 2,455 Postal policies (including Mutual Reserve and Economic business).

In computing the reserve as of June 30, 1912, all policies dated during the first six months of the year, January through June inclusive, were valued as of December 31, 1912, and all policies dated from July through December inclusive, as of December 31, 1911. A small change was made on account of reinsurance. The reserve as made up by the company was decreased by $15,000 on account of two matured endowments. The full reserve was carried by the company on these policies, although the same had been paid prior to June 30, 1912.

Postal: The insurance of the Postal section of the company may be divided into three subdivisions:

1. Postal.
2. Mutual Reserve.
3. Economic.

Prior to this examination, the applications were not numbered, but filed alphabetically. Similarly, correspondence was filed alphabetically. This system has since been changed, all correspondence relating to a policy being filed with the application and the latter arranged by policy number.

The Postal and Mutual Reserve business is kept in a policy register showing name, address, age, kind, amount, etc., and a column for discontinuance or revival. The original Economic register is maintained for that business. Prior to this examination no fact slips were prepared showing the surrender values of policies issued, nor in the case of earlier policies was there any form number on the application which would serve to identify the policy issued with any of the various forms issued by the company from time to time. Fact slips of surrender values are now filed with applications of current issues and the same are being prepared for prior issues now in force.

1. *Mutual Reserve.*— It was found that the values contained in the original Mutual Reserve policies and transferred to the Postal Standard form policies issued in exchange were greater than the reserves carried would provide, either in respect to (a) Loan values, or (b) Extended insurance.

This was called to the attention of the company. Policyholders have been communicated with and, where possible, new policies written, containing surrender values within the reserves.

2. *Economic.*— In this class, some policies contained certain return premium features not provided for in the reserves as carried. The descriptions in the state sheets were corrected and the policies properly valued by the Actuarial bureau.

3. *Postal.*—The Postal has effected the exchange of certain Provident policies, issuing its own in place. The Postal policies are issued at current age and dating. When issued upon a satisfactory medical examination, the regular Postal policy is used and the business treated as original Postal issues.

If the examination was not satisfactory, or none made, a special form of policy issues. This business is kept in a separate class but treated as new business and valued on the select and ultimate basis. In the earlier policy forms the provision for the first year guaranteed "initial non-agency saving" was not indorsed upon

or made part of this policy contract. This has been called to the attention of the company and these policy contracts now contain the entire contract. This "savings" amounts to about 80 per cent. of the first year's guaranteed dividend paid to new policyholders taking out policies in the ordinary way after a medical examination.

Inasmuch as these are not freshly selected risks, the reason upon which the select and ultimate method is based does not apply. For the purposes of this examination the company's basis of valuation has been adopted.

As of June 30, 1912, the Postal reserves were computed in the same way as that used in reference to the Provident business.

Claims

The various items of claim liability as of June 30, 1912, were as follows:

		Department	Company
Death Claims in Process of Adjustment		$38,850 00	$38,850 00
Incurred — no proofs		93,401 08	95,700 00
Resisted		46,406 03	43,778 00
Incorrect settlements:			
a. Postal — one case since paid	$599 00		
b. Provident — one case since paid	11,795 00		
		12,394 00	
Interest on reserve liens not refunded claimants		94 36	
Impairment liens overcharged		602 00	

The examination of claims included a check of all claims, Postal and Provident, paid during 1911, and all claims outstanding December 31, 1911. This examination was continued through June 30, 1912, and a schedule of claim liabilities prepared as of that date.

Provident: When notice of claim is received, a fact slip is prepared to show that the policy was in force at the time of death, what indebtedness or deferred premiums exist against the policy, etc. If found to be in force, the claim is entered in the order of its receipt as a "claim incurred" in the claim register. When satisfactory proofs have been received the claim is ready for payment; a check is drawn, the claim entered under "claims

paid," and it is given a claim number. The check is not sent out until a satisfactory release has been executed by the claimant and returned to the company.

"Claims incurred" were verified from the policy exhibit record, traced into the "claims paid" and the claims outstanding verified. The papers and vouchers in paid claims were examined.

When a notice of death comes in, the claim department sends to the actuary for the value of the policy. Should the policy be lapsed and, by the company records, no value attach, the claimant is so notified and the papers filed away. If any question be raised by the claimant as to the lapse or value of his policy, the matter is handed to the attorney of the company, but not until he sends notice to the claim department of the existence of this class of claim, does such claim enter into the claim records. It would seem desirable that a permanent record of all death notices received and final disposition of the case be maintained by the claim department so that in future examinations it will be possible to check the same.

The records of the claim department seem to be carefully and intelligently kept, and the claims, as a rule, settled within a reasonable time and according to the facts furnished from the other departments of the company. One incorrect settlement was found in the Provident cases examined, which has since been paid.

Postal: Early in the year the settlement of Postal claims was consolidated with the Provident. Various differences between the items making up the claim liability as reported December 31, 1911, and those of the examiners were found to exist. As of June 30th, the only differences were in regard to resisted claims and treatment of unpaid interest and impairment liens.

Interest not refunded, $94.36: This represents unearned interest on Mutual Reserve reserve liens not refunded in making death settlements. The matter has been called to the attention of the company and such refunds are hereafter to be made as in the case of interest on other policy loans.

Impairment lien, $602: In computing the amount of impairment liens to be deducted in claim settlements, it was formerly the practice to take the amount of such lien at the end of the policy year previous to the last July 1st before the death, instead of the end of the last complete policy year. This method has now

been changed and at the end of each policy year the impairment lien will be computed and the policyholder notified.

Schedule F: Schedule F calls for all claims for death losses and all other policy claims resisted or compromised during the year; also all claims for death losses and all other policy claims resisted and not paid. The schedule as prepared by the company for December 31, 1911, was checked and found to be incomplete both as to claims compromised during the year and claims resisted at the end of the year. As of June 30, 1912, the company's liability on account of resisted claims differed from that found by the examiners.

At both periods the report of resisted claims made by the legal department to the president included substantially all claims, payment of which was resisted by the company. Not all of these claims have been reported by the company as outstanding nor has liability for the same been carried. Two of such claims not carried December 31, 1911, have since gone to judgment against the company. A third claim carried at a reduced amount has been settled in full.

In arriving at the liability on account of resisted claims, both as of December 31, and of June 30th, subsequent information as to settlements, judgments, etc., available during the course of the examination has been used.

There seems to be some difference of opinion as to what class of claims should be included as compromised settlements. The schedule is evidently intended to include all claims on which any question has arisen, and also payments made other than the face amount of the policy.

Among the Provident claims settled during 1911, there should have been included certain deductions for alleged "mortality deficiency" or "adjustment due to error in dividend estimate." In this schedule should also be included claims pro rated by reason of suicide clauses, and deductions of impairment liens, especially where some question has been raised by claimants as to the propriety of such deduction.

Postal: In its treatment of compromised claims in Schedule F, the company did not follow any one rule. It included some claims where deduction was made for misstatement of age, and omitted others; it included a claim in which there was a deduc-

tion for impairment lien, and omitted others; it omitted claims which were settled at round figures where claimants had objected to deduction of impairment liens.

Resisted claims: As in the case of compromised, so in the case of resisted claims, there seems to be some difference in the practice as to what to include under this classification. It would certainly seem to include (a) such cases as have reached the hands of attorneys, even though suit has not actually been commenced, and (b) such cases as are in suit, although the company denies liability. As prepared by the company, December 31, 1911, all claims in this schedule were on Provident policies. All these cases were in suit and with but one exception, all were in judgment. We have added to this list all other cases found to be in suit when the examination was made, and certain other cases which had been placed in the hands of attorneys for collection.

The liability on account of resisted claims was reported by the company as $43,778 and by the department as $46,406.03. As of December 31, 1911, the Postal reported a liability on account of resisted claims of $32,830. This was made up of six claims, all excepting one of which were in judgment.

Postal: No resisted claims on account of Postal policies were reported as of December 31, 1911. Of the claims classified by the examiners as resisted at that time, two still remain unpaid. Of the two cases settled in 1912, one, carried by the company as in process of adjustment for $763, was paid in full, $2,000. The other, carried at $1,884.84 was compromised for $2,400 cash and cancellation of reserve liens $144. These were on Mutual Reserve policies.

Conclusions: The systems of the Provident are now being applied to the claims of both branches. The resisted cases of the Postal as of December 31 and subsequently have been all on Mutual Reserve exchanges. This apparently is due to the method of keeping the record of the impairment liens, and failure to endorse same on the policy contracts.

Since the completion of this examination a committee on claims has been formed to consist of the company's president, medical director, counsel and actuary. Responsibility for the settlement of claims will hereafter rest with this committee.

Matured Endowments

A check and examination for 1911 and the first six months of 1912 were made of the Provident's matured endowments. Policies maturing since the reinsurance with a distribution period coincident to the maturity date receive nothing on account of surplus earnings. There were no Postal matured endowments.

Agents' Contracts

A check and examination were made of agents' contracts and commissions. No new business is now being written by the Provident. About 150 agents' contracts still require payments of renewal commissions. All contracts which could be terminated by either party on thirty days' notice have been so terminated. These contracts provide that in such event a portion of the renewal commission — in some cases one per cent. of the premium, in others twenty cents per $1,000 insurance — should be deducted as a collection fee. Such deductions are being made in the case of these terminated contracts.

A few contracts did not provide for termination except for certain specified reasons, and on these, therefore, no collection fee is deducted by the Postal from renewal commissions.

Advisory Agents' Appointments ("A. A. A."): Advisory agents' appointments, or Special executive agents, were made in 1901 and 1902. In 1901, Whitney & Carlton, general agents of the Provident in Texas, made contracts appointing what they called "special executive agents." Their contract with the Provident provided for an extra commission of two dollars per $1,000 of insurance in force at the end of each year, provided a certain minimum ($2,500,000) remained in force.

Whitney & Carlton created a board of trustees. To this board they assigned a one-half interest in this special commission, which was to be deposited in bank in the states of Texas, Oklahoma and Indian Territory, and distributed by the board of trustees according to the trust agreement. The Provident recognized this assignment by agreeing to pay over the one-half interest to any bank or person designated by the general agents. The continuance of these payments in the event of termination of the contract with the Provident was assured by one of its provisions that the one

dollar per $1,000, the amount assigned, should be payable for twenty years thereafter. The contract between the general agents and the insured was known as a "Trust Fund Certificate." The Provident did not join in these contracts, nor ratify them, except that at the request of Whitney & Carlton, it agreed to compute the earnings each year and deposit one dollar per $1,000 in the designated bank to the order of the board of trustees. Payments were discontinued to the trustees during 1910 or 1911. It is claimed that such payments are in effect rebates.

The advisory agents' appointments were first made by E. W. Spicer as western agency manager for the society. These contracts were subject to approval and confirmation by the Provident. These contracts were made either through Spicer or the general agents until about 1905.

At first, amounts of payments were sent by the company to Spicer and paid out by him personally. Later, this was changed and calculations for each state of amounts earned were made by the company at its home office. The amounts so apportioned were deposited in the name of Spicer, or, as later, in the name of the general agent. Checks for each advisory agent, or the general agent, were then prepared for signature and delivery. In more recent years, the funds were paid directly from the home office to the advisory agent, usually by credit to the premiums payable. The last of these payments seems to have been in March, 1911.

In order to provide for these contracts, the renewal commissions of the general agents in the states where the advisory appointments were issued, were cut from seven and one-half per cent. to five per cent. This five per cent. is the renewal now being paid by the Postal on such business in force in those states. It is claimed by the company that the contracts are illegal, and that no liability exists because they are in effect rebating. No liability has been set up by the department on account of these contracts.

DUE AND UNCOLLECTED, AND DEFERRED PREMIUMS

Due and deferred premiums were listed and the net premium figured on each. This is the method already used in the Postal branch of the business.

Loans and Liens

The business from each of the various sources making up the insurance of the Postal has loans and liens peculiar to itself.

Provident Savings

The Provident's loans are of the following kinds:

1. Cash or policy loans.
2. Automatic loans.
3. Exchange loans.
4. Premium notes.
5. "Blue notes."

Cash or policy loans: The policy and loan agreement are filed together. At the end of the year the company prepares a schedule arranged numerically by policy number of all policies upon which one or more loans exist. There are some seven thousand policies upon which loans were outstanding December 31, 1911. All loan agreements were examined as to amount, date and signature, and checked into the company's schedule. A test check of signatures not witnessed was made into the applications. Loans cancelled or paid from December 31, 1911, were traced from the loan register through the journal entries to the cash book or ledger.

Automatic loans: Their name describes these loans. If a policy would otherwise lapse for non-payment of premium and there is sufficient loan value in the policy to pay the premium to the next anniversary date, a loan is automatically made for the amount of such premium and the policyholder notified. In such cases no signature of the insured or deposit of the policy is necessary.

The physical evidence of the asset of "automatic loans" consists of a "fact slip" prepared by the company showing the details of the transaction and a copy of letter sent to insured to notify him of the loan. Receipts for premiums and interest thus paid are stamped as paid by automatic loan and filed with the papers. Although not in the contract the automatic loan clause in some cases is extended to include unpaid items such as interest on cash loans or premium notes, and principal and interest of "Blue Notes."

All automatic loan papers scheduled by the company were examined. This examination included tracing the various loans of premiums and interest through "fact slips" and correspondence

and check of the premium receipts so paid. As automatic loans are provided only in certain contracts, the applications were also examined as to form number of the policy issued.

Exchange loans: These loans were made chiefly in connection with the exchange of term policies to life or endowment contracts, the new policy being dated back and an exchange loan taken for the accrued reserve on the new policy in excess of any reserve on the old policy. In some cases the lien or loan was the difference between the premiums on the two plans selected. These loans were checked with the company's schedule.

Premium notes: There are two kinds of premium notes; "one-third" and "full" premium notes.

The one-third notes have been issued since about 1897. As each successive premium is paid, two-thirds is paid in cash, and one-third endorsed upon the original premium note to indicate the increased indebtedness. This arrangement is not according to any policy provision, but seems to have been a verbal agreement made when the policies were issued.

Full premium notes are given for varying periods of from one to twelve months.

When not paid in cash interest is compounded. Some of the notes did not provide for such compounding. The difference in the two methods was calculated and found to be so small that no changes were made on account thereof.

Blue notes: The "Blue notes" are premium notes given in part payment of premiums. If not paid, the policy is cancelled as of the date of the premiums for which the note was given in part payment.

Schedules of the foregoing policy loans, premium notes, etc., were prepared by the company as of June 30, 1912. These schedules were arranged by monthly due date and separated into loans upon which interest was paid in advance and those upon which it was not paid until earned. These schedules were checked by the examiners and with the verification as of December 31st last, the substantial accuracy of the ledger figures established as to the amount of principal outstanding.

From these schedules also the interest items, unearned, accrued and due used in the financial statement, were derived.

Postal

Policy loans or liens in the Postal branch are divided into:

1. Postal:
   a. Cash loans.
   b. Automatic loans.
2. Mutual Reserve:
   a. Cash loans.
   b. Reserve liens.
   c. Anticipated surplus notes.
3. Economic:
   a. Cash loans.
   b. Premium notes.

Cash loans: Many of the Postal loans are made without requirement of deposit of the policy with the company. Since June, 1911, in such cases a form of endorsement, approved by the insurance department, is stamped upon the policy. Prior to that time duplicate loan certificates were issued — one to be retained by the insured, the other by the company.

The policy loans were checked with the company's schedule. Correspondence and signatures were examined in cases taken at random. Loans repaid since December 31, 1911, were traced into the ledger.

Automatic loans: These loans are somewhat similar to the Provident loans except that the premium may be advanced from month to month rather than to the next anniversary date of the policy.

Prior to this examination no record was maintained of Postal automatic loans. The premium card was marked as extended insurance, the insured notified in a general way that his policy was in force by virtue of the loan clause "for a little while." The amount of premiums paid by loan was not taken into income nor the loans carried as an asset, neither were such loans properly figured, so that policies were marked out of force which should have remained in force.

Changes have been made in these particulars and these loans are now to be handled in a manner similar to that of the Provident except that the premium is advanced monthly. As of June 30, 1912, these loans were entered upon the company's books.

Premium Notes: The Postal accepts no premium notes in whole or in part payment of premiums. The Postal Life portion of the asset "premium notes" is represented by notes turned over

to the Postal in connection with the transfer of assets incidental to the reinsurance contracts of the Postal with the Mutual Reserve receivers and the Economic Life.

A check with the reserve sheets showed that all those Economic policies, against which these premium notes were supposed to be issued, had terminated. They are, therefore, deducted as non-admitted assets. No check of these notes as of June 30, 1912, was made as the notes were not considered an asset.

The anticipated surplus notes of the Mutual Reserve were made in connection with certain 20-payment life policies issued by the Mutual Reserve. Although deducted from the reserve lien, and, therefore, to the extent deducted, an equitable charge against the new Postal policy, these notes are not a lien against the Postal policy, and are deducted as a non-admitted asset.

Mutual Reserve — Reserve liens: These reserve liens originated in connection with the exchange of Postal for Mutual Reserve policies. Policyholders who did not effect an exchange of their policies pursuant to the terms of the receivers' agreement were subsequently circularized, and Postal policies issued upon full medical examination. The reserve liens on such policies were known as "Exhibits AA," "C," "F," "FF," and "G." This group of reserve liens differs from those provided by the receivers' agreement, in that the reserve lien is the three per cent. reserve for the number of years the policy had been in force, including the year of exchange. In arriving at the amount of lien the company has figured the terminal reserve to include the anniversary next after the date of acceptance, but in many cases has also collected premiums in cash for all or part of the last year so included.

About one hundred of the later lien certificates indicate only the provisions for the imposition of the reserve lien but do not contain the actual figures.

No subsidiary record of its reserve liens was kept by the Postal. Schedules or lists were prepared at the end of the year from the liens on hand and the balance, as shown by the ledger, forced to agree with the schedule. Payment of these liens by surrender values did not enter into the income and disbursements of the company, but is now being entered.

The various differences found to exist December 31, 1911, in the loan and lien accounts have been adjusted. As of June 30,

1912, the ledger accounts of these loans (excepting the Economic premium notes not checked by the examiners) have been found to be substantially correct and have been used in the financial statement of this report.

Loans in excess of reserve: In addition to the anticipated surplus and Economic premium notes deducted as non-admitted, there has also been deducted the sum of $2,864, representing Provident and Postal loans and liens in excess of the reserve.

Capital Stock

The capital stock was checked from the certificate stubs, cancelled stock certificates and a list of outstanding shares as of December 31, 1911. No check was made as of June 30, 1912.

These stubs are loose and bound by means of tape into binders, the returned certificates being attached to their respective stubs. From the returned certificates it would appear that each certificate is numbered by hand when issued. A more satisfactory check could be made if the certificates were bound in permanent form before issue and numbered so that there would be more assurance on the part of the examiner that all certificates issued could be traced.

Terminations

Provident: Provident terminations for each of several months were checked from the "policy exhibit" record and surrender record and the papers in the cases examined.

In cases of surrender for payment of a loan and in lapses, any equity remaining and not demanded by the policyholder is retained by the company and applied to purchase paid-up insurance in accordance with the provisions of section 88 of the Insurance Law. This paid-up insurance is carried for six months and if not applied for by the policyholder the reserve is then credited to the surplus.

In the case of settlements of policies upon which there is a loan no unearned interest is refunded the policyholder. In the case of non-payment of a premium, the company usually writes urging restoration. If the Medical Department reports favorably, the case is followed by a letter offering to make an additional loan to cover the premiums past due. If undesirable medically the matter

is allowed to drop so far as the company is concerned. Application by the insured, however, may be made, medical examination to be made at his expense. Ordinarily a health certificate only is required if executed within three months of lapse, after which a medical examination is prerequisite to restoration. In the majority of cases the company pays for medical examinations.

For the six months ending June 30, 1912, the reserves released on surrendered and lapsed business of the Provident division were $40,521.14 in excess of the surrender values paid or allowed to the holders of such policies.

Postal: Prior to this examination no policy exhibit or surrender record was maintained for the Postal terminations. Only those cases were accounted for on the books as surrendered upon which surrender value was paid in cash. The systems in use in the Provident branch have now been adopted in the case of Postal terminations.

INSURANCE BY MAIL

Under this heading it is intended to include the writing and handing of insurance without the intervention or aid of agents. As the larger part of such business must of necessity be done by correspondence, the above designation is used.

Prior to January 1, 1911, a large part of the insurance in force of the company had its origin in other companies which employed the agency method. Since that time the business acquired has all been direct,— except some exchanges,— and derived mainly through advertising.

The Postal Life is a comparatively young company. Practically all criticism of methods and dealings with policyholders applies, not to the "direct" business, but to the reinsured business — Mutual Reserve, Economic and Provident Savings. The direct method places a greater responsibility upon the company, dealing, as it does, by mail with its policyholders.

It is practically impossible at this early stage of the history of the Postal to arrive at the ultimate cost of securing business by its direct method. Part of the cost of advertising should be charged to old business, as continued advertising has a tendency to keep up the confidence of policyholders and make the business persistent. The greater part of the expense of advertising, how-

ever, should be charged to new business. The cost of advertising will not, of necessity, and in fact has not increased pro-rata with the new business written. For this reason any one year is not a sufficient basis upon which to attempt to draw conclusions as to the cost of securing new business by advertising. For the year 1911, the Postal advertising charges were $25,661.23; the new premium income, including premiums on exchanged policies, was $26,577.67; for the first six months of 1912, these items were respectively, advertising — $18,492.24 and new premiums — $48,871.51; June 30, 1912, there were unpaid bills for advertising of $1,128.11. There was paid in addition to the foregoing $6,500 on account of Postal medical examinations during the six months.

A schedule attached shows the monthly premium income, new and renewal, of the Postal business for the year 1911 and the first six months of 1912 and also the advertising expense for the same period, together with medical fees. The acquisition charges for medical examination, etc., are not materially different from that of companies operating under the agency system.

Beginning with the year 1910, the Postal provided in its contracts for guaranteed "commission dividends." In 1910, these dividends were nine and one-half per cent. of the premiums payable at the end of the policy year. August 7, 1911, a policy form was issued providing a first year "commission dividend" and on renewals a further guaranteed dividend of nine and one-half per cent. On ordinary life forms, this first year dividend is the present value of assumed mortality gains according to the select and ultimate method with three and one-half per cent. interest assumption. This is the amount which, in addition to the loading, is allowed to agency companies as part of their expenses for securing new business by section 97 of the Insurance Law. On the limited payment and endowment forms, in addition to the present value of mortality savings, there is also allowed as part of the first year's guaranteed dividend the difference between the loading on such policy and that of an ordinary life policy of the same age and amount.

The following tabulation has been prepared to show the gross and net premiums at age 35 for an ordinary life, 20 payment life and 20 year endowment policy for a thousand dollars, also the

first year's or "Initial Non-agency Savings," and the amount of the gross premiums applicable to general expenses:

ORDINARY LIFE — AGE 35 — $1,000

Gross premium	$27 40	Gross premium	$27 40
Net premium	19 91	Mean reserve	7 18
Loading	$7 49	Difference	$20 22
Present value assumed select and ultimate mortality savings. This is the first year's guaranteed commission dividend on ordinary life policies	10 67	Mortality saving payable as first year guaranteed dividend	10 67
Mean reserve	7 18	Balance applicable to meet all other first year's expenses — about ⅓ gross premium	9 55

20 PAYMENT LIFE — $1,000

Gross premium	$36 66	Gross premium	$36 66
Net premium	27 40	Mean reserve	15 01
Loading	$9 26	Difference	$21 65
Ordinary Life loading	7 49	Guaranteed first year's commission dividend	12 25
Excess of loading 20 payment life over ordinary life	$1 77	Balance applicable to meet all other first year's expenses — about ¼ gross premium	$9 40
Select and ultimate assumed savings	10 48		
First year's guaranteed commission dividend	$12 25		
Mean reserve	15 01		

20 YEAR ENDOWMENT — $1,000

Gross premium	$50 64	Gross premium	$50 64
Net premium	40 12	Mean reserve	28 30
Loading	$10 52	Difference	$22 34
Ordinary life loading	7 49	First year's guaranteed commission dividend	13 19
Excess loading of 20 year endowment over ordinary life	$3 03	Balance applicable to meet all other first year's expenses — about ⅕ of gross premium	$9 15
Present value assumed mortality savings	10 16		
First year's guaranteed commission dividend	$13 19		
Mean reserve	28 30		

The foregoing calculations show that at age 35, after deducting the first year's reserve and first year's guaranteed dividend, there remains for expenses from about a third of the gross premiums in the case of ordinary life policies down to less than a fifth in the case of twenty-year endowments. The bulk of the business is on the ordinary life plan.

In this connection it may be noted that section 97 of the Insurance Law provides for certain limitations to expenses. The main item of expense to the Postal in acquiring its business is not within the limitations of this section — namely, advertising.

All inquiries about insurance are first referred to the medical department. If approved, the inquiry is then sent to the correspondence section. A folder is prepared and also a correspondence card, which shows the medium whence derived, and successive history of the case so far as placing the policy or not. If rejected, a rejection card is prepared and filed in the correspondence section, and the papers in the case turned over to the medical department.

If the inquiry is marked by the medical department to follow up, the successive steps before a policy issues are as follows:

(a) Inquiries, ensuing upon which comes the follow-up;
(b) Signed application received;
(c) Illustrated policies sent;
(d) Medical examination and inspection of risk;
(e) Approved policy written and executed;
(f) Premium paid and official acceptance of the risk.
Policy in force.

When an application is secured, a sample policy, check for medical examination fee and blank are mailed the prospective insurant. The check for the examination fee provides that if not used within thirty days from date it shall be void. A special account is kept on which these checks are drawn. If the premium is paid in advance, the policy goes into effect when executed; otherwise not until payment of first premium. The policy is dated on the day executed by the company, unless a change of age would have occurred between that time and the date of the application.

The paid business during the first 6 months of 1912 amounted to $1,463,200; during the preceding 12 months $966,873. The annual premiums on the 1911 issues amounted to $23,658.05; for the six months to $46,854.14.

Copies of the correspondence ordinarily used are filed with the report.

In connection with the preparation of a gain and loss exhibit for December 31, 1911, an examination of the mortality experience of the Mutual Reserve, Economic and Postal groups was made, in charge of Mr. Ryan of the Actuarial Bureau of the Insurance Department. This examination included the mortality for the years 1909, 1910 and 1911 of the three groups. The business involved was not large, but the results seem to justify the conclusion that this class of business derived from the direct methods of the Postal is of a very high order from a mortality standpoint.

HEALTH BUREAU

In July, 1909, the health bureau was established by the Provident Savings in charge of Dr. Fisk, medical director of that company. Since the reinsurance of the Provident by the Postal, the latter company has taken over the bureau and extended its benefits to its own, as well as Provident policyholders.

The purpose of the bureau is to assist policyholders in detecting diseased conditions in time either to check or cure them by proper medical treatment. It is in charge of the medical department.

The activities of the bureau are threefold: (1) bulletins, (2) correspondence, (3) medical examinations.

Bulletins: Bulletins are prepared periodically and mailed to policyholders. These bulletins contain information regarding personal hygiene, prevention of disease and suggestions as to healthful living. Over 600,000 bulletins have been distributed.

Correspondence: Policyholders are invited by the company to correspond with it regarding their health. Where, from such correspondence, it would seem desirable, the policyholder is advised regarding matters of personal hygiene or urged to seek appropriate medical treatment. The bureau itself does not give medical treatment by mail or in any other way. All correspondence is filed with the application and other papers of the policy.

Medical examinations: Each policyholder is entitled to receive one free medical examination per year. Application for this examination must be made within sixty days from the payment of premiums. The examination is made by a local physician designated by the company. Report of such examination is returned to the company's home office by the examining physician.

If this report is deemed favorable by the medical director, the insured is so advised. If unfavorable, the insured is advised to consult his family physician, the latter being advised of the impairments reported. A complete statistical card record of each case is maintained by the medical department; also a register containing in condensed form the particulars of each examination.

Up to December 31, 1911, the bureau made the following examinations:

July through December,	Examinations Requested	Amount of Insurance	Examinations Completed	Amount of Insurance	Urinary Analyses
1909	523	$1,398,856	230	$637,732	267
1910	1,349	3,295,000	680	1,676,500	789
1911	1,449	3,108,000	686	1,514,000	812
Totals	3,321	$7,801,856	1,596	$3,828,232	1,868

	Number of Cases Reported Impaired	Amount of Insurance
July through December, 1909	70	$205,500
1910	284	764,000
1911	241	529,500
	595	$1,499,000

Of these impaired cases, 321 or 53.9 per cent. were unaware of any impairment when examined.

The expenses of the bureau as compiled by it, follow:

	1909	1910	1911
Medical fees	$1,026 00	$1,330 00	$1,372 00
Printing and supplies	1,792 27	1,760 27	1,927 98
Postage	1,650 00	1,396 45	1,873 23
	$4,468 27	$4,486 72	$5,173 21
Salary of stenographer			480 00
			$5,653 21

The mortality loss among the risks examined by the health bureau during the past three years has been computed by the Central Bureau of the Medico-Actuarial Mortality Investigation as follows:

The mortality among risks reported free from impairment was 29 per cent. of the American Experience Table amounts, and among those reported impaired was 99.6 per cent. of the American Experience Table amounts. Many of the members of both groups were advised regarding personal hygiene as well as indications for medical treatment.

The bureau is in touch with health departments and other welfare agencies throughout the country, and has on file letters from such sources, indicating approval of and co-operation with the company's conservation activities. The company emphasizes the fact that the purpose of the bureau is not only to lower the mortality rate but also decrease its lapse rate by bringing the policyholder closer to the company.

The company's employees are required to undergo a medical examination at the expense of the company once a year.

DIVIDENDS AS OF JUNE 30, 1912

The Postal Life issues of 1905 and 1906 provide for the allotment and distribution of surplus at the end of the fifth year and annually thereafter.

The issues of 1907 to August, 1908, were all non-participating.

The issues of September, 1908, to December 31, 1909, were on an annual dividend basis.

The issues of January, 1910, to April, 1911, provide for a contingent annual dividend, also a guaranteed annual dividend of 9½ per cent. of the annual premium.

The issues of May, 1911, and subsequent provide for a contingent annual dividend, a commission dividend the first year and a guaranteed annual dividend of 9½ per cent. of the annual renewal premium.

The company states that the contribution method was adopted for the distribution of the contingent dividend and that each policy was charged with its proportionate share of expense and

credit was given for the amount contributed to the surplus. The amount of these contingent dividends was ascertained and payment authorized by the board of trustees, a check was then drawn in favor of Mr. C. W. Brown, Recorder, Dividend Account, and deposited in the Knickerbocker Trust Company. Checks were then drawn by the company signed C. W. Brown, Recorder, and sent to the policyholders entitled to receive the same, with statements of the returns of the policies giving the convertible options. Contingent dividends are paid at one time or in the case of the 1912 dividend at two different dates, irrespective of the anniversary of the policy.

The apportionment of contingent dividends, although stated to be on the "contribution" plan, could not be checked from the company's records or working sheets, either as to the total amount appropriated or the percentages applicable to various ages.

Guaranteed annual dividend policyholders entitled to a contingent and guaranteed dividend, whose guaranteed dividend has not been applied on premiums, received one check for both dividends. Guaranteed annual dividend and commission dividend policyholders who made inquiries about their dividends, received their dividend in cash, or it was applied to pay premiums monthly, quarterly, semi or annual, or applied to purchase paid-up insurance or left with the company to accumulate at interest.

The policy contract provides in what manner the guaranteed commission dividends may be applied. If the policyholder did not elect any of the options, the guaranteed commission dividend was held by the company as a credit to the policyholder. In cases where more than the first year's premium had been paid, no credit was made or liability carried for the second year's nine and one-half per cent. commission dividend accruing, unless the policyholder selected an option as to its application. The amount involved is small. Interest was not credited upon the dividends held by the company to the policyholder's credit.

Dividend card record: The present practice of recording the payment of dividends is as follows: When a policy is issued a dividend card is written and when the first premium or partial payment is made, the company enters in account form the full commission dividend as a liability.

When the dividend or any portion thereof is applied to pay the premium on the policy said amount is entered on the dividend card as debit against the dividend liability.

When the dividend is applied to purchase a paid-up addition the amount so used was entered as a charge against the commission or guaranteed annual dividend liability and the amount of paid-up stated. These paid-up additions were not carried as additional insurance and no reserve put up by the company for the same.

When the dividend is paid in cash the amount so used is posted on the dividend cards as a charge against the dividend liability.

On the issues of 1905 the first annual dividend paid in 1912 was about 4 to 8 per cent. less than the 5-year dividend paid in 1911.

On the issues of 1906 the first annual dividend paid in 1912 was the same as the 5-year dividend paid in 1911.

No contingent dividend has been apportioned or paid on issues of 1911 which have completed their first policy year.

On policies terminated during 1912 the accrued commission and guaranteed dividends, amounting to $150.48, were not paid or applied on premiums.

Mutual Reserve: These policies were written on the Postal Life, New York Standard forms, in 1908, and provide for annual dividends.

It is stated for the company that the same method was used to ascertain the amount of the dividends payable as was used to ascertain dividends on the Postal issues.

The payment of a first contingent dividend was authorized by the board of trustees early in 1910, checks were prepared and sent to the policyholders regardless of date of issue of the policy, except that premium payments equal to two years' premiums were required before policyholder was entitled to receive the first dividend. The policies issued with an impairment lien did not receive a dividend.

In 1912 the company held several dividend checks waiting for the insured to pay interest on the reserve lien.

The contingent dividend authorized by the board of trustees early in 1912 was not all disbursed prior to June 30, 1912, and the company did not carry any liability for the amount so authorized and not paid, on the theory that no liability existed until due date of payment. This amount is $1,501.37.

Provident Savings — Coupon: These policies were issued by the Provident Savings and provide for one-quarter of the annual premium every third year as a guaranteed dividend. This business has had very few changes during the past six months and the estimate made for December 31, 1911, was used for June 30, 1912.

Provident Savings — Deferred dividend policies: Provident Savings policyholders insured under deferred dividend policies maturing in 1912 were advised by the company in a form letter that no dividend fund had been accumulated from which a distribution could be made to Provident policyholders carrying dividend bearing policies.

A dividend card record is maintained in the Actuarial Department showing particulars of policy and the convertible options at maturity.

Inasmuch as the Provident Savings Life Assurance Society was undoubtedly impaired at the time of the reinsurance, no surplus was turned over to the Postal to distribute as dividends to Provident Savings policyholders. The earnings from this portion of the company's business since the reinsurance were not, during 1911, sufficient to justify the apportionment of any dividends to Provident Savings policyholders for 1912.

Financial Statement

A check and examination have been made of the various items of income and disbursement, assets and liabilities. As a result of such check, a statement has been prepared, showing the income and disbursements of the company for the eighteen months' period, January 1, 1911, through June 30, 1912, both inclusive; also assets and liabilities as of the close of business June 30, 1912.

Income

First year's premiums on original policies without deduction for commission or expenses, less $96.91 reinsurance	$98,828 70	
Guaranteed dividends applied to pay new premiums	14,771 52	
Surrender values applied to pay first year's premiums	3,282 82	
Total first year's premiums on original policies	$116,883 04	
Dividends applied to purchase paid-up insurance and annuities	84 48	
Surrender values applied to purchase paid-up insurance and annuities	70,958 66	
Consideration for supplementary contracts involving life contingencies	1,723 00	
Total new premiums		$189,649 18
Renewal premiums without deduction for commission or expenses, less $8,530.47 for reinsurance on renewals	$2,722,371 64	
Dividends applied to pay renewal premiums	8,589 68	
Surrender values applied to pay renewal premiums	814 39	
Credits from guaranty fund	10,427 85	
Automatic loans applied to pay renewal premiums	176 37	
Deduction from death claims to pay renewal premiums	4 00	
Total renewal premiums		2,742,383 93
Total premium income		$2,932,033 11
Consideration for supplementary contracts not involving life contingencies		12,240 00
Dividends left with the company to accumulate at interest		672 37
Gross interest on mortgage loans	$103,491 39	
Gross interest on bonds and dividends on stock, less $2,851.58 accrued interest on bonds acquired during 1911	104,966 86	
Gross interest on premium notes, policy loans, liens, etc.	270,272 60	
Gross interest on deposits in trust companies and banks	5,673 65	
Gross interest on other debts due the company. — Miscellaneous	1,992 33	
Interest on purchase price, Natatorium, Waco, Texas	2,550 00	

Gross rents from company's property, including $39,691 for company's occupancy of its own building	$431,917 87	
Total gross interest and rents		$920,864 70
From other sources:		
Accounts payable, increase	$4,929 31	
Sundry bank balances, unpresented checks	618 73	
Quit claim deed, Covington, Ky	315 65	
Deposit to guarantee completion of improvements at Hasbrouck Heights	5,000 00	
Deposits on account of policies ceased or lapsed	26 76	
Payment on Liddy note	37 02	
Columbian half dollars	6 00	
		10,933 47
Gross profit on sale or maturity of ledger assets — bonds		456 05
Gross increase by adjustment in book value of ledger assets — bonds		1,183 58
Total income		$3,878,383 28
Ledger assets, December 31, 1910		10,515,918 65
Total		$14,394,301 93

Disbursements

Death claims	$1,721,460 32	
Additions	113,839 77	
		$1,835,300 09
Health claims		35 00
Matured endowments		249,767 00
Net amount paid for losses and matured endowments		$2,085,102 09
Annuities involving life contingencies		12,214 63
Settlement of policy claims		2,700 00
Surrender values paid in cash or applied in liquidation of liens, loans, or notes	$1,283,800 19	
Surrender values applied in liquidation of automatic loans	296 90	
Surrender values applied to pay new premiums, $3,282.82; to pay renewal premiums, $814.39.	4,097 21	
Surrender values applied to purchase paid-up insurance and annuities	70,958 66	
		1,359,152 96
Dividends paid to policyholders in cash or applied in liquidation of liens, loans or notes	$12,547 92	
Dividends applied to pay renewal premiums	8,589 68	
Dividends applied to pay new premiums	14,771 52	
Dividends applied to purchase paid-up insurance and annuities	84 48	

Dividends left with the company to accumulate at interest	$384 31	
Credits to guaranty fund	10,427 85	
		$46,805 76
Total paid to policyholders		$3,505,975 44
Expenses of investigation and settlement of claims, including $12,888.57 for legal expense		13,050 13
Paid for claims on supplementary contracts not involving life contingencies		15,054 88
Commissions to agents, less commissions on reinsurance, first year's premiums, $7,741.02; renewal premiums, $92,033.75		99,774 77
Commuted renewal commissions		5,210 52
Agency supervision and traveling expense of supervision, except compensation of home office supervision		1,660 00
Branch office expenses, including salaries of manager and clerks		6,900 33
Medical examiners' fees, $13,673.26; inspection of risks, $1,889.91		15,563 17
Salaries and all other compensation of officers, trustees, directors and home office employees		148,977 52
Rent, including $39,691 for company's occupancy of its own buildings		46,939 67
Advertising, $45,127.56; printing and stationery, $24,290.20; postage, telegraph, telephone and express, $21,509.66; exchange, $311.85		91,239 27
Legal expense		4,480 17
Furniture, fixtures and safes		4,854 07
Repairs and expenses (other than taxes) to real estate		178,398 05
Taxes on real estate		103,884 59
State taxes on premium		3,938 63
Insurance department licenses and fees		13 00
Federal corporation tax		1,463 82
City and county licenses		10 00
Personal property tax		16 19
Interest on mortgages on company's real estate		139,125 00
Traveling expense		3,161 52
Examination expense, $30.64; auditing, $2,000		2,030 64
Expense, unclassified items		4,393 45
Hasbrouck Heights Co., return of deposit		5,000 00
Mutual Reserve liens charged off		23,847 00
Mutual Reserve assignments charged off		15,000 00
Policy loans charged off		7,867 14
Economic premium notes charged off		320 34
Commission on sale of real estate		50 00
Commission for leasing Chicago office		50 00
Commission on sale of mortgages		457 50
Account of properties sold, No. 3 E. 17th street and 80–82 Wooster street		676 07

Account of policy 17175 — Farrell		$34 81
Gross loss on sale or maturity of ledger assets,		
Real Estate	$1,500 00	
Bonds	294 44	
		1,794 44
Gross decrease by adjustment in book value of ledger assets,		
Bonds		1,277 46
Total disbursements		$4,452,489 59
Balance		$9,941,812 34

Ledger Assets

Book value of real estate		$3,594,000 00
Mortgage loans on real estate		1,421,500 00
Loans to policyholders on this company's policies assigned as collateral		2,853,016 10
Premium notes on policies in force		267,787 66
Book value of bonds, $1,492,575.68; and stocks, $10,000		1,502,575 68
Cash in company's office	$2,069 84	
Deposits in trust companies and banks not on interest	430 16	
Deposits in trust companies and banks on interest	104,055 19	
		106,555 19
Agents' balances, $152.67, suspense item $68.18		220 85
Furniture, fixtures and safes		21,500 00
Reserve liens on Mutual Reserve polices		152,660 07
Guaranty fund		4,690 19
Mortuary fund		17,306 60
Total		$9,941,812 34

Non-Ledger Assets

Interest due, $1,968.75, and accrued, $21,841.60, on mortgages	$23,810 35	
Interest accrued on bonds	21,461 33	
Interest due, $2,632.19, and accrued, $26,900.29, on premium notes, policy loans or liens	29,532 48	
Interest accrued on contract purchase price, Natatorium, Waco, Texas	850 00	
Interest accrued on bank deposits	1,814 78	
Rents due, $6,935.59, and accrued, $250	7,185 59	
Total interest and rents due and accrued		84,654 53
Net uncollected and deferred premiums		193,500 90
Unearned premiums on fire issurance policies		7,840 24
Dividend checks returned to company to be held on interest		53 14
Sale price of real estate over book value		65,000 00
Gross assets		$10,292,861 15

Deduct Assets not Admitted

Furniture, fixtures and safes	$21,500 00	
Agents' balances, $152.67; suspense items, $68.18	220 85	
Mutual Reserve anticipated surplus notes	2,141 48	
Economic premium notes	2,313 17	
Premium notes and loans on policies in excess of reserve on same	$2,864 00	
Book value of ledger assets over market value Real Estate	7,437 00	
		$36,476 50
Total Admitted Assets		$10,256,384 65

Liabilities

Legal reserve on policies outstanding June 30, 1912	$9,623,006 00
Deduct net value of risks reinsured	14,961 00
	$9,608,045 00
Reserve to provide for health and accident benefits contained in life policies	869 00
Net reserve paid for basis	$9,608,914 00
Present value of amounts not yet due on supplementary contracts not involving life contingencies	79,730 83
Liability on policies cancelled and not included in net reserve.	9,453 07

Claims for death losses in process of adjustment or adjusted and not yet due	$38,850 00	
Claims for death losses incurred for which no proofs have been received	93,401 08	
Claims for matured endowments due and unpaid	1,000 00	
Claims for death losses and other policy claims resisted by the company	46,406 03	
Claims on which insufficient settlement was made	12,394 00	
Unearned interest not returned at settlement	94 36	
Insufficient credits to impairment liens	602 00	
Total policy claims		192,747 47
Due and unpaid on supplementary contracts not involving life contingencies		16 66
Dividends left with the company to accumulate at interest and interest thereon		736 10
Premiums paid in advance, including surrender values so applied		7,281 80
Unearned interest, $48,975.47, and rents paid in advance, $1,114.66		50,090 13
Commissions due agents on premium notes when paid		150 00
Commissions to agents due and accrued		1,250 00

Salaries, rents, office expenses, bills and accounts due and accrued		$12,389 02
Medical examiners' fees, $74, and legal fees, $2,550, due and accrued		2,624 00
Estimated amount heretofore payable for federal, $2,147.47, and State taxes, $3,557.96, based upon the business of the period of this statement		5,705 43
Dividends and other profits due policyholders, including those contingent on payment of outstanding and deferred premiums		1,174 52
Dividends declared or apportioned to annual dividend policies payable in 1912		9,580 75
Special reserve to cover excess of surrender values over reserve on Mutual Reserve policies		5,619 00
Accrued interest on mortgages on company's property		28,500 00
Accounts payable		12,330 32
Hatch contract liability		750 00
Petty cash disbursements, not entered		467 00
		$10,029,510 10
Capital	$100,000 00	
Unassigned funds, surplus	126,874 55	
		226,874 55
		$10,256,384 65

The reinsurance agreement under which the Postal Life Insurance Company took over the insurance of the Provident Savings Life Assurance Society became effective as of December 31, 1910. As of that date the books of the Provident were closed and January 1, 1911, entries opening the new accounts were made.

March 31, 1911, two entries were made in the journal, whereby the value of the real estate was increased in an amount of $45,409.92, and bonds and stocks in the amount of $5,000. The explanation for each of these entries was that the real estate was taken over at its market value rather than book value and the stock of the Provident National Bank, Waco, Texas, was taken over at its market value, $10,000, rather than its book value, $5,000.

Income

Premiums: In the Provident branch, the premium income was checked from the daily home office reports, premium registers

("square books") and monthly recapitulation sheets into the agency journal.

The Postal premiums were checked from the books of original entry (daily cash book) with the premium cards and general cash book.

Rent: The company reported gross rents from its real estate at $441,334.07; the department reported $431,917.87. In checking this item, recourse was had to tenants' leases when such existed. The "rent book" and "receipts from real estate," books of original entry, were verified and checked into the cash book. Schedules accompany this report, showing the difference in rents received as reported by the company and the examiners.

Sundry bank balances — $618.73: This item of income represented the balances in several banks with which the company has ceased doing business. These balances consisted of checks drawn by the Provident but not yet presented for payment. Some of these checks had been outstanding for over 10 years. At the request of the banks, the Postal during 1911 drew its checks for the amounts of these balances, thus closing out the accounts.

Quit claim deed, Covington, Ky. — $315.65: The records of the Provident do not show that the company ever was the owner of this property, although a former secretary had an interest in it. The above amount represents a payment to the company in return for its execution of a quit claim deed to any interest in the property.

Other items of income do not require special discussion.

Disbursements

Death claims: A check of all claims paid for the eighteen months was made. Cash payments were verified from cancelled checks, vouchers and the papers in each claim. Deductions and additions were also checked and traced into the income and disbursements of the company.

Settlement of policy claims: A disbursement item has been included in the examiners' statement on account of the settlement of the Majors claim, policy No. 14734. This amount represents the settlement of a suit against the company. It was erroneously

included in its item of amounts disbursed on account of legal expenses.

Surrender values: The amounts disbursed in connection with the surrender of policies were examined and checked from the papers into the surrender record and books of account.

Dividends: The company reports the amount disbursed for dividends as $36,377.91. In addition, the examiners have included as a disbursement, $10,427.85 on account of guaranty fund credits, which is essentially a dividend disbursement. No credits have been allowed on this account on renewals collected since execution of this reinsurance contract.

Investigation and settlement of claims: The amounts disbursed as above, including legal expense, were verified from the cash book and cancelled voucher checks.

Legal expense: The examiners report this item as $4,480.17, and the company, $5,834.12. Schedules showing the details of these differences are filed with the report.

Settlement of resisted claim $2,500: This item does not appear in the company's statement. It represents payment under policy No. 23323, upon which suit had been instituted against the company. The company erroneously included it as a part of legal expense.

Furniture and fixtures: The amounts reported as disbursed by the company were charged off to profit and loss. During the six months of 1912, the asset item, Furniture and Fixtures, was increased from $9,000 to $21,500. This increase represents the payment by the Postal to the Provident Savings of $12,500 for the furniture, fixtures, etc., of the latter company.

Repairs and expenses (other than taxes) to real estate: In 1911, the company increased the book value of its home office property, No. 35 Nassau street, by $7,437. This increase was credited to disbursements on account of expenses and repairs to real estate. The disbursement item as reported has not been changed in this report. The increase in the asset item has been deducted as a non-admitted asset.

Traveling expense: For the year 1911, the examiners report this item as $1,436.74, which is $454.58 less than that reported

by the company. This difference is due to the transfer of two items of traveling expense to legal expense settlement of claims.

The company disbursed $1,724.78 during the six months of 1912. This was largely in connection with its efforts made to secure from Provident policyholders their signature to agreements of assumption of the Postal or surrender of their policies.

Examination and auditing expense: This disbursement has been subdivided by the examiners into two items. Audit expense of $2,000 represents the amount paid S. H. Wolfe in 1911 for his audit of the Provident for the year 1910. Examination expense of $30.64 is the amount paid the New York Insurance Department in 1911.

Policy loans charged off — $7,867.14: Suit was brought against the company and judgments secured upon two policies for the return of premiums paid and interest. The amount above represents loans upon the policies in suit which were charged off on account of the results of the two suits.

Loss on sale of real estate, $1,500: Real estate of the company at Owensboro, Kentucky, was sold during 1911 for $2,500. This was one of the parcels taken over from the Provident Savings. As the property had been carried at a book value of $4,000, the balance was charged off during the year.

The other items of disbursement do not require discussion or description.

REAL ESTATE DEPARTMENT

The real estate owned by the company in New York City was up to April 1, 1911, in charge of a superintendent and three real estate agencies. The properties at Savannah, Georgia, and Waco, Texas, have been in charge of local agents. March 4, 1911, a real estate department was organized under the supervision of Mr. F. L. Sheldon, and all properties placed in his charge. All leases and rentals of New York City property have been made through this department, also all collections of rents, etc., purchase of supplies, and contracts for repairs, alterations, etc.

The real estate department maintains its own accounting system, consisting of a rent book, receipt book, disbursement book and ledger. A check and verification of the accounts of this department was made. Also the local agents' accounts from Savannah

and Waco were verified. Schedules have been prepared showing differences in income and disbursement items for account of real estate. The manager is paid upon a commission basis. These commissions amounted up to June 30, 1912, to $7,624.77.

Disposition of real estate: The Postal Life prior to the Provident reinsurance owned no real estate. It took over from the Provident the following parcels:

1. Home office building	$3,212,563 00
2. Broadway and Spring street	1,700,000 00
3. 80–82 Wooster street	160,000 00
4. 3 East Seventeenth street	225,000 00
5. One Hundred and Sixth street and Amsterdam avenue	170,000 00
6. 511–15 West One Hundred and Twelfth street	180,000 00
7. Savannah, Georgia	80,000 00
8. Owensboro, Ky.	4,000 00
9. Waco, Texas	155,000 00
10. Natatorium building, Waco	34,000 00
Total	$5,920,563 00
Subject to mortgages	2,045,000 00
Equity	$3,875,563 00

Parcels 3 and 4 were sold by the company in 1911 at the value at which transferred. Part cash was paid and the balance in purchase money mortgages. Parcel 8 was also sold during 1911 for $2,500 cash.

Parcels 5, 7 and 9 were sold December 6, 1912, to the Incas Realty Company, Incorporated. The sale prices of the three parcels were respectively $170,000, $80,000 and $170,000.

The same company has also entered into a contract of sale for the purchase of parcels 6 at $180,000 and 2 at $1,750,000, title to pass on No. 6, July 1, 1913, on No. 2, January 1, 1916.

As a result of these sales and contracts by January 1, 1916, all the real estate holdings transferred from the Provident will have been disposed of except the Home Office Building. Cash to the amount of $80,100 has been paid on account of the sales and contracts of sale of parcels 5, 7, 9, 6 and 2. In the case of parcel 2. the contract of sale provides that the realty company shall at once

take over the management of the property and guaranty to the company, until title passes, a net income of at least 3½ per cent.

GAIN AND LOSS

A gain and loss exhibit has been prepared for the 18 months period covered by the financial statement of the report. The figures used at the beginning of the period and those at the end were based to some extent upon different accounting methods. This applies both to assets deducted as not admitted at the end of the period and to liabilities formerly not carried by the company or increased by the department.

The summary of this exhibit included in the report includes the combined business, and a separation of the Provident and Postal business. In setting up this subdivision, such items as could be directly allocated to either branch were so treated. In other cases the items were pro rated either in the ratio of the premium incomes or reserves of the two branches.

In the case of the Provident Savings the mortality item was taken as the balancing item; for the Postal the loading. The latter business is in large part new. To set up the net premiums upon the full reserve basis while valuing the business by the Select and Ultimate method would result in unduly decreasing the amount upon which gains from loading are derived and correspondingly increasing the gain from mortality.

Interest items were pro rated upon the basis of reserves. The decrease in surplus from interest is undoubtedly due to the real estate transferred by the Provident Savings.

The decrease in surplus from dividends attributable to the Provident includes an item of $10,427.85 credits to guaranty fund on Y. R. T. policies in 1911. The maximum cash premiums on this class of policies is now being collected as explained elsewhere in this report. The balance of Provident dividends is on coupon policies and is a guaranteed dividend.

The Postal dividends include payments on account of contingent and guaranteed dividends.

The nature of the decrease in surplus, "Mutual Reserve Additional Reserve, $5,619," has also been explained in the report. As these policies are rewritten or terminated this special reserve will diminish.

The profit and loss items include the Mutual Reserve assignments $15,000 and Mutual Reserve reserve liens $23,847 charged off, together with other smaller items.

The gain from real estate $65,000, is due to the sale of certain parcels of real estate at a higher price than at which transferred by the Provident Savings to the Postal.

The summary for the eighteen months follows:

	COMBINED		PROVIDENT		POSTAL	
	Gain	Loss	Gain	Loss	Gain	Loss
Loading	$182,665 99	.....	$222,102 27	.....	.....	$39,436 28
Interest	.....	$137,886 19	.....	$135,237 26	.....	2,648 93
Mortality	.....	124,694 67	.....	155,870 54	$31,175 87	.....
Annuities	470 37	.....	470 37	.....	.....	.....
Net gain from surrenders and lapses	154,778 63	.....	129,451 86	.....	25,326 77	.....
Dividends to policyholders	.....	56,465 33	.....	14,829 87	.....	41,635 46
Mutual Reserve Additional reserve	.....	5,619 00	.....	.....	.....	5,619 00
Profit and loss	.....	38,163 18	1,004 16	.....	.....	.....
Mutual Reserve liens charged off	.....	.....	.....	.....	.....	23,847 00
Mutual Reserve assignments charged off	.....	.....	.....	.....	.....	15,000 00
Economic premium notes charged off	.....	.....	.....	.....	.....	320 34
Real estate	65,000 00	1,627 66	61,587 50	1,511 59	3,412 50	116 07
Stocks and bonds	809 63	828 33	767 13	784 84	42 50	43 49
Assets not admitted	.....	9,541 16	.....	9,040 25	.....	500 91
Unearned fire insurance premiums	.....	87 41	.....	82 82	.....	4 59
Loss on health policies	.....	35 00	.....	.....	.....	35 00
Surplus increase	.....	28,776 69	.....	98,026 12	.....	.....
Surplus decrease	.....	.....	.....	.....	69,249 43	.....
Total	$403,724 62	$403,724 62	$415,383 29	$415,383 29	$129,207 07	$129,207 07

CONCLUSION

When this examination was commenced, a reorganization of the company's actuarial, accounting and office methods, rendered necessary by the expansion of its business following the reinsurance of the Provident Savings, was in progress. The analysis of the company's affairs made by your examiners has aided the company in its efforts to bring its organization to a high standard of efficiency.

Following the reinsurance, the Postal management was confronted by difficult problems in connection with the Provident Savings assets transferred to it. It has disposed of or contracted for the sale of most of the real estate. The remaining parcel

not so disposed of is the home office building. This building has been improved and the rental income therefrom increased.

It is claimed by the company that there has been an increase in surplus since June 30, 1912, and up to December 1, 1912, of $40,068.22.

THE PROVIDENT SAVINGS LIFE ASSURANCE SOCIETY

NEW YORK, N. Y.

Examination on condition as of December 31, 1911, *and August* 31, 1912.

Report dated September 30, 1912.

Chief Examiner: Nelson B. Hadley.

The examination covered the period from December 31, 1910, through August 31, 1912. Financial statements as of December 31, 1911, and August 31, 1912, are made a part of this report.

The Provident Savings Life Assurance Society resumed the writing of new business after an examination by the New York Department made as of June 30, 1909. This examination showed the company to have a surplus of $70,823.91. During the year 1910 the mortality experience of the company was such that there was a heavy loss in surplus. Its financial statement as reported to the Department prior to the execution of the reinsurance agreement with the Postal Life Insurance Company showed an impairment of about $17,000.

A discussion of the reinsurance agreement will be found in the report on examination of the Postal Life Insurance Company. All admitted assets save the statutory deposit of $100,000 at Albany were transferred to and all obligations assumed by the Postal.

A new set of books was opened as of January 1, 1911. These books showed the following condition:

Ledger Assets

Mortgage loans	$48,000 00
Bonds, book value	53,719 67
Agents' debit balances	478 55
Bank balances in suspense	41,304 62
Total	$143,502 84

Non-Ledger Assets

Interest accrued on mortgage loans	$6 67	
Interest accrued on bonds	780 00	
		$786 67
Gross assets		$144,289 51

Deduct Assets Not Admitted

Agents' debit balances	$478 55	
Bank balances in suspense	41,304 62	
		41,783 17
Admitted assets		$102,506 34

Liabilities

Capital stock	$100,000 00
Unassigned funds, surplus	2,506 34
	$102,506 34

Bank Balances in Suspense

The amount carried as bank balances in suspense, $41,304.62, is represented by agents' notes which at one time were in the hands of the Standard Trust Company, which company treated the deposit of same as a loan on collateral, giving the society credit on its books for a deposit of like amount.

The society kept on deposit an amount in excess of the so-called loan, and interest was allowed by the bank on the deposit and paid by the company on the loan.

The notes were returned by the Standard Trust Company about October 29, 1907, and the loan and deposit accounts closed. The item of $41,304.62 was taken out of cash on September 30, 1908, and carried as bank balances in suspense.

The account, bank balances in suspense, was closed out on April 1, 1912, and distributed to the several note accounts; $74.79, the excess of the account over the amount of the notes, was charged off. A schedule of these notes accompanies this report.

Financial Statement

The statement which follows contains the items of income and disbursement for 1911 and the first eight months of 1912, together with assets and liabilities as of December 31, 1911, and August 31, 1912, respectively.

Financial Statement — December 31, 1911

Income

Interest on mortgage loans	$2,400 00
Interest on bonds	1,560 00
Interest on deposits in trust companies and banks	84 25
Total interest	$4,044 25
Furniture, fixtures and safes, sale of	2,238 44
Refund, Insurance Commissioner, State of North Carolina	1 00
Agents' notes, previously charged off	1,679 50
Total income	$7,963 19
Ledger assets December 31, 1910	143,502 84
Total	$151,466 03

Disbursements

Gross decrease by adjustment in book value of ledger assets — bonds	18 38
Balance	$151,447 65

Assets

Mortgage loans	$48,000 00	
Bonds	53,701 29	
Deposit in trust companies and banks on interest	7,963 19	
Agents' debit balances	478 55	
Agents' notes, bank balances in suspense	41,304 62	
Ledger assets		$151,447 65

Non-Ledger Assets

Interest accrued on mortgage loans	$6 67	
Interest accrued on bonds	780 00	
		786 67
Gross assets		$152,234 32

Deduct Assets Not Admitted

Agents' debit balances	$478 55	
Agents' notes, bank balance in suspense	41,304 62	
		41,783 17
Admitted assets		$110,451 15

Liabilities

Capital stock	$100,000 00
Unassigned funds, surplus	10,451 15
Total	$110,451 15

Financial Statement — August 31, 1912

Income

Interest on mortgage loans		$1,200 00
Interest on bonds		1,560 00
Interest on deposits in trust companies and banks		192 08
Interest on agents' notes		1,964 97
Total interest		$4,917 05
Furniture, fixtures and safes, sale of		12,550 00
Agents' notes previously charged off		50,034 42
Total income		$67,501 47
Ledger assets December 31, 1911		151,447 65
Total		$218,949 12

Disbursements

Salaries, W. R. Malone	$12,000 00	
Directors' fees	50 00	
Legal expense	27 50	
Miscellaneous expenses, assumption agreements	550 00	
Agents' notes charged off	74 79	
Total disbursements		12,702 29
Balance		$206,246 83

Assets

Mortgage loans	$48,000 00	
Bonds	53,701 29	
Deposits in trust companies and banks on interest	10,992 77	
Agents' debit balances	478 55	
Agents' notes	83,720 88	
Postal Life Insurance Co	9,353 34	
Ledger assets		$206,246 83

Non-Ledger Assets

Interest accrued on mortgage loans	$400 00	
Interest accrued on bonds	260 00	
		$660 00
Gross assets		$206,906 83

Deduct Assets Not Admitted

Agents' debit balances	$478 55	
Agents' notes	83,720 88	
		84,199 43
Admitted assets		$122,707 40

Liabilities

Capital stock	$100,000 00
Unassigned funds, surplus	22,707 40
Total	$122,707 40

Disbursements

Salaries: The amount disbursed for the period ending August 31, 1912, is the amount paid W. R. Malone as per resolution of the board of directors January 8, 1912, and was verified by cash book entry, voucher and paid check. A copy of the foregoing resolution is filed herewith.

Directors' Minutes

January 19, 1911, the date of execution of the reinsurance agreement, the following officers were elected:

President — W. R. Malone.
Vice-President — W. S. Russell.
Comptroller — S. R. Conklin.
Medical Director and Secretary — E. L. Fiske, M. D.

A resolution was passed that the officers were to serve without salary and during the pleasure of the board of directors.

The Postal Life by its proper officers was authorized and empowered to sign the name of the Provident Savings to all checks, drafts or instruments for the payment of money payable to the Provident Savings received in payment of premiums on policies, premium loans or rentals from real estate.

The Postal is also authorized to execute in the name of the Provident Savings and to deliver deeds, bills of sale, conveyances or other proper instruments.

January 8, 1912, the Postal purchased from the Provident certain non-admitted assets. These consisted of furniture, fixtures, etc., for which the Postal paid the Provident the sum of $12,500. On the same day a special meeting of the Provident board of directors was held. At this meeting a resolution was passed which recited that the Provident was then in funds by reason of the sale of non-admitted assets; that the work done by Mr. Malone had been much greater than was anticipated; that with few exceptions the policyholders had accepted the Postal; that unsecured creditors were protected by the $100,000 deposit at Albany; that all stockholders had or would consent. It was thereupon voted to pay Mr. Malone the sum of $12,000, which was done. This payment was recited to be compensation for services rendered the Provident during the year and in connection with the reinsurance agreement.

A resolution was also passed which recited that Mr. Malone was the owner of the entire capital stock of the Provident Savings; and that he was carrying obligations thereon to an amount of at least $300,000. It was thereupon voted that the right of the Provident Savings to commissions under section 3 of the reinsurance agreement to be assigned to Mr. Malone, and that the Postal Life be authorized to pay over these commissions as they accrued from time to time.

Pursuant to said resolution, an assignment was prepared providing among other things, that it should not become effective until five days after it had been submitted to the Superintendent of the State of New York, and that no money be paid thereunder except as the amount of money retained by the Provident Society shall exceed the claims of all policyholders and other creditors, and that no money be paid or drawn unless the amount proposed to be paid or drawn shall have been checked up and ascertained in advance by the Superintendent of Insurance of the State of New York, and any payment made shall be indorsed on each and every outstanding certificate of stock pro rata. The proposed assignment was filed with the Department of Insurance on May 25, 1912, and the Superintendent was notified of the execution and delivery of the assignment on June 1, 1912.

No meeting of stockholders seems to have been held during 1912.

Casualty, Fidelity and Surety, and Credit Insurance Companies

THE AMERICAN CREDIT-INDEMNITY COMPANY

St. Louis, Mo.

Examination on condition as of September 30, 1912.
Report dated November 4, 1912.
Examiner: Joseph H. Woodward, Department Auditor.
Assistant Examiners: Smith and Wheeler.

Assets and Liabilities on September 30, 1912

Ledger Assets

Bonds	$1,209,134 58		
Stocks	24,975 00		
		$1,234,109 58	
Cash in office		4 78	
Cash in bank		8,055 09	
Bills receivable		12,704 20	
Furniture and fixtures		45,243 07	
Advances to adjusters		250 00	
Premium notes		68,252 79	
Agents' balances, Debit	$26,539 01		
Credit	2,939 85		
		23,599 16	
Ledger assets as per balance			$1,392,218 67

Non-Ledger Assets

Accrued interest		17,029 58
Gross assets		$1,409,248 25

Deduct Assets Not Admitted

Bills receivable	$12,704 20	
Furniture and fixtures	45,243 07	
Agents' debit balances	26,539 01	
Advances to adjusters	250 00	
Overdue premium notes	24,055 29	
Book value of bonds and stocks over market value	87,359 58	
		196,151 15
Admitted assets		$1,213,097 10

Liabilities

Losses and claims on credit policies expiring prior to July, 1912:		
In process of adjustment.....	$26,575 00	
In suit	39,672 00	
Total	$66,247 00	
Special reserve for credit losses on policies expiring in July, August and September 1912, estimated on the basis of final statements received for July and August, and 60% of the gross premiums for September, less $7,054.90 paid during said months for losses under said policies	82,867 88	
Special reserve for accrued losses on credit policies in force September 30, 1912, being 50% of the earned premiums on said policies	202,175 27	
Total reserve for losses.....		$351,290 15
Unearned premiums, pro rata, on unexpired risks running one year (gross premiums $728,507.51)	$324,217 29	
Unearned premiums on unexpired risks running more than one year.....	1,387 59	
Total premium reserve		325,604 88
Commissions due or to become due.....		801 00
Sundry accounts due or accrued.....		2,000 00
Reserve for accrued taxes.....		10,662 45
Advance premiums (100%)		16,060 00
Reserve for outstanding guaranteed accounts.....		7,884 00
Total liabilities, except capital.....		$714,302 48
Capital stock	$350,000 00	
Surplus	148,794 62	
Surplus to policyholders		498,794 62
Total funds		$1,213,097 10

Loss Reserves

Under this general head may be discussed most of the points which have a present bearing upon the company's condition.

(a) *On policies expiring prior to July,* 1912: Outstanding losses in this group are estimated in the usual way upon the

basis of the facts appearing in each individual case as disclosed by the papers in the company's files. In the case of losses in process of adjustment, the papers were examined in a representative group of cases and the general accuracy of past estimates of the company's claim manager was tested by investigating the completed experience on certain groups. Such investigations indicate that the estimates of the company's claim manager may in general be taken as reasonably safe for practical purposes. As to the cases in suit, it is noteworthy that the company has little new litigation and that the estimates of the claim manager appear, as a whole, to be borne out by the facts. The aggregate of his figures was therefore adopted, without change, in this examination.

(b) *On policies expiring in July, August and September:* As regards losses upon policies in this group — namely, those expiring within three months of the date as of which a credit company's condition is being ascertained — it is generally recognized that the 50 per cent. rule incorporated in the annual statement blank does not produce an adequate preserve if the ultimate loss ratio on these expirations is to be greater than 50 per cent. of the gross premiums. Under the provisions of a credit insurance policy as ordinarily written, the insured is required to file what is known as a "final statement of loss" within thirty days after the expiration of the policy, while the company is given ninety days after the expiration of the policy within which to adjust and finally settle the loss. Thus it is obvious that on September 30th, for example, the company will be in possession of all or nearly all of the final statements on policies expiring in July and August, and that a fair idea of what the company's ultimate losses on the expirations of these months is to be may be had without recourse to the 50 per cent. rule. As regards the month of September, however, such final statements had not, of course, been filed, and in view of the company's unfavorable experience during 1911 and the first half of 1912, to be referred to presently, it was deemed safer to somewhat increase this percentage, which was accordingly raised to 60 per cent.

(c) *Accrued Losses on Credit Policies in Force:* The experience of credit companies since 1909 has amply justified the

soundness, both in theory and in practice, of the departmental requirement, at that time first imposed, of a reserve, in addition to and distinct from the usually unearned premium reserve, to cover losses which have accrued upon policies unexpired at the time of making the statement. The theory upon which this rule is based likewise presupposes an ultimate loss ratio of 50 per cent, or less upon this business. The experience of the American Credit-Indemnity Company, however, shows that its recent losses have been as follows:

On policies expiring in 1910, 44.7% of the gross premiums.
On policies expiring in 1911, 72.7% of the gross premiums.
On policies expiring during the first six months of 1912, 81.3% of the gross premiums.

It is therefore evident that, if the company's experience for the past eighteen months is any indication of the future, the 50 per cent rule set up in the statement blank will not certainly provide a sufficient reserve to cover accrued losses on policies in force. There are various conditions, however, which lead the officers of the insurance company to believe that a period of normal or of low losses is now being entered upon, and that consequently a 50 per cent. loss reserve on this section of the business will prove sufficient. Indeed, it may be safely asserted that, at present expense rates, no credit insurance company could long endure a loss ratio materially in excess of this percentage, and that therefore if the experience of the past eighteen months is to be regarded as in any way normal, the only permanent corrective would be to either increase the premium or reduce the coverage in the policies. The reasons for expecting an improved experience in the near future may be briefly stated as follows:

(1) Based upon the final statements of loss filed under July and August expirations, the loss ratio for the July expirations is estimated at 60 per cent., and for August expirations, 46 per cent. Further, the high loss ratio for the first six months of 1912 is chiefly due to the excessive losses on the expirations of January to April inclusive, the months of May and June having shown a very marked improvement.

(2) A second matter of importance is the greater care which is apparently being exercised by the company in the selection

of its risks, and in the limitations imposed upon the coverage in certain cases. Further, commencing with June 1, 1912, the company adopted a new set of instructions for the guidance of its agents in underwriting, embodying the results of past experience on various lines of trade, and intended to establish a classification of lines which will enable the company to more scientifically adjust the proportion of insurance on the excess over the initial loss, and to prevent the writing of business in those trade groups which have in the past almost uniformly proved disastrous. Premium rates have been increased and various improvements in underwriting methods introduced.

(3) A further reason for expecting an improved experience in the future is said to be the fundamental economic conditions which have to do with determining the credit losses throughout the country. The present business and banking situation is believed by the company's officers to indicate that 1913, and the remainder of 1912, will prove favorable periods for the company.

(4) It should also be noted that during September 1912, the last payment was made by the company under its so-called salvage agreement entered into in 1909, under which the company has, since that time, been applying the salvage received on its losses in repayment for $100,000 paid into its treasury at that time. Thus, in three years, the salvage of the company has netted $100,000 which, under ordinary conditions, would have been deducted from the losses, thus reducing somewhat the company's loss ratio.

In general, a consideration of the company's reserves and loss experience serves to emphasize the inherently fluctuating and hazardous nature of the business of credit insurance. It suggests the desirability that a company carrying on this branch of business should accumulate out of the profits of its prosperous years a large free surplus which will serve, in addition to the company's reserves, to protect the policyholders and stockholders during those years which are unfavorable. It confirms the wisdom of the understanding reached between the Massachusetts and New York Departments and the company at the time of the reorganization in 1909, to the effect that no dividends should be paid upon its capital stock until the free surplus shall have reached an amount equal to the capital.

AMERICAN SURETY COMPANY

Examination as of December 28, 1912.
Purpose: On increase of capital from $2,500,000 *to* $5,000,000.
Report dated December 28, 1912.
Examiner: John L. Train.

CAPITAL CITY SURETY COMPANY

Examination on organization.
Date of Report, August 7, 1912.
Examiner: J. H. Middleton.

Capital paid in in cash	$100,000 00
Surplus paid in in cash	50,000 00
Total	$150,000 00

THE EMPIRE STATE SURETY COMPANY

NEW YORK, N. Y.

Examination on condition as of June 30, 1912.
Report dated August 8, 1912.
Chief Examiner: Arthur F. Saxton.
Examiners: Train and Fuld.

Examination on condition as of December 10, 1912.
Report dated December 13, 1912.
Chief Examiner: Arthur F. Saxton.

HISTORY

The Empire State Surety Company was incorporated January 30,1901, under the provisions of chapter 690 of the Laws of 1892, for the purpose of transacting fidelity and surety business. Its original paid in capital was $125,000 and original paid in surplus $125,000. In 1902 the capital was increased to $250,000,

in 1904 to $500,000 and in 1906 to $750,000. In 1902 and 1904 the increased capital was paid in at par and in 1906 at 150, there having been $125,000 paid in to surplus on this last increase. In 1907 the capital reduced from $750,000 to $500,000, the $250,000 going to surplus, and on May 23, 1912, the capital was reduced from $500,000 to $250,000 and $250,000 added to surplus. From the date of organization the stockholders have contributed to capital and surplus account $1,000,000 of which there remained on June 30, 1912, $164,884.44. As the stockholders have received $215,625 by way of dividends, the total loss amounts to $619,490.56.

The company amended its charter in 1905 and began issuing liability, accident, health, plate glass, steam boiler, sprinkler, burglary and theft and workmen's collective policies as well as continuing its fidelity and surety lines. In 1910 the company reinsured all of its sprinkler, steam boiler, plate glass, accident, health, liability and workmen's collective business and has since confined its business to the fidelity, surety and burglary and theft lines.

In January, 1912, the executive committee recommended to the stockholders the acceptance of a proposition from William B. Joyce offering to purchase the stock at a specified price, providing two thousand shares were deposited on or before January 12, 1912. The proposition was accepted by a sufficient number of stockholders and at the annual meeting of the stockholders held on January 30, 1912, the new interests headed by Mr. Joyce assumed control. A number of new directors were elected at this meeting, and on February 21, 1912, David W. Armstrong, Jr., was elected president, succeeding William M. Tomlins, Jr., Joseph T. Magee was elected vice-president and Charles T. Brooks re-elected secretary. Mr. Brooks has since been succeeded by Frank F. McMillan and Mr. Charles L. Henry has been elected treasurer.

In May, 1912, the charter was amended excluding therefrom the power to insure against accident and health and the breakage of plate glass.

At a special meeting of the stockholders held May 23, 1912, the resolution providing for a reduction of capital from $500,000

to $250,000 was adopted, 3,209 being recorded in favor of this resolution and 22 against it.

ASSETS AND LIABILITIES

The assets and liabilities on June 30, 1912, were found to be as follows:

Ledger Assets

Book value of real estate	$66,197 22
Mortgage loans on real estate	51,060 76
Book value of bonds	537,617 49
Book value of stocks	178,037 50
Cash in home and branch offices	6,822 47
Cash in banks	8,676 42
Equities in real estate received as salvage	22,851 35
Second mortgage received as salvage	16,000 00
Uncollected premiums on policies issued after March 31, 1912	110,177 29
Uncollected premiums on policies issued prior to April 1, 1912	118,135 46
Bills and accounts receivable	14,706 78
Agents' balances	16,979 30
Advances to adjusters and agents	978 81
Cash in suspended banks	2,877 01
Sundry ledger accounts	13,095 15
Total ledger assets	$1,164,213 01

Non-Ledger Assets

Interest due, $588.91, and accrued, $688.53, on mortgages	1,277 34
Interest accrued on bonds	4,847 47
Interest accrued on banks deposits	267 61
Rents due	1,207 86
Gross assets	$1,171,813 29

Deduct Assets Not Admitted

Uncollected premiums on policies issued prior to April 1, 1912	$118,135 46	
Bills and accounts receivable	14,706 78	
Agents' balances	16,979 30	
Advances to adjusters and agents	978 81	
Cash in suspended banks	2,877 01	
Sundry ledger accounts	13,095 15	
Book value of stocks and bonds over market value	57,364 99	
Book value of real estate over market value	4,065 59	
Total		228,203 09
Total admitted assets		$943,610 20

Liabilities

Unpaid claims:		
Fidelity	$74,655 01	
Surety	262,120 23	
Burglary and theft	16,361 42	
Workmen's collective	1,546 00	
Liability	57,043 25	
Total unpaid claims		$411,725 91
Unearned premiums (pro rata)		307,999 82
Commissions		28,811 36
Bills and accounts due and accrued		2,021 31
Note, indorsed by company		5,712 39
Return premiums (estimated)		500 00
Reinsurance		12,599 41
Taxes on premiums due and accrued		8,444 22
Unpaid taxes on real estate		617 74
Interest accrued on mortgage owned		293 60
Total liabilities except capital		$778,725 76
Capital paid up in cash	$250,000 00	
Impairment	85,115 56	
Surplus as regards policyholders		164,884 44
Total liabilities		$943,610 20

Present Condition

The present condition of the company is due to its bad underwriting, especially in the surety and liability lines. It has also experienced excessive losses in the accident, health and plate glass lines. The premiums have been insufficient to care for the losses and expenses and as a consequence the company has steadily lost money. A paid in capital and surplus of $1,000,000 has been reduced to $164,884.44 and on June 30th its capital of $250,000 was impaired to the extent of $85,115.56.

When the present management assumed control it started in to find out the company's true condition. An investigation of the outstanding claims showed that many of these cases, especially on the Pacific Coast, were being handled incompetently, resulting in losses which might have been avoided. In many instances the company was not in possession of late or complete information. Steps were at once taken to remedy these conditions. The estimates of the outstanding claims were gone over and it was found

that in a large number of cases the reserves formerly carried were inadequate. The reserves were increased to a figure that the new management considered adequate and it was found that these increases more than wiped out the surplus. In order to meet this condition the capital was reduced in May, 1912, from $500,000 to $250,000 and $250,000 added to surplus. At the time this step was contemplated it was thought that the company would be left with a surplus of approximately $125,000 after the reduction had been made. But after this step was taken the conditions did not improve. The heavy losses continued, further investigation and later information called for still further increases in reserves and a large number of new claims were coming in for which reserves had to be maintained, and the company's own figures on June 30th showed that this additional surplus was gone.

This company was last examined by this Department as of December 31, 1910, and with a capital of $500,000, the surplus was then reported to be $92,070.52. This would leave a loss of $427,186.08 to be accounted for between that time and June 30, 1912. A comparison of the estimates made during this former examination with the actual payments and present estimates shows that although we had increased the company's figures by $40,-347.73 our increased estimates were still too low by $105,425.58. The inadequacy of the reserves for liability losses under the notice and suit law is well illustrated by this company's experience. The legal reserves for liability losses on December 31, 1910, amounted to $48,919.45. As all of the liability business in force was reinsured on December 28, 1910, this company was not liable for any losses on account of accidents occurring subsequent to that date. Between December 31, 1910, and June 30, 1912, the company has paid for liability losses $163,267.58 and still has outstanding an estimated liability of $57,043.25 on this class of business, the deficiency in the liability loss reserve produced by the notice and suit law amounting to $171,391.38. From these figures it appears that the real loss of the company between December 31,1910, and June 30, 1912, amounted to $150,369.12, and that $276,816.96 of this loss occurred prior to December 31, 1910, although $171,391.38 of this amount could not have been charged

as a legal liability. The following table shows these deficiencies in reserves on December 31, 1910, by classes:

	Deficiency
Accident	$5,218 84
Health	4,289 00
Plate glass	9,782 00
Workmen's collective	3,610 72
Surety	64,256 63
Fidelity	18,268 39
Liability	171,391 38
Total deficiences in reserves	$276,816 96
Loss in underwriting, etc., between December 31, 1910, and June 30, 1912	150,369 12
Total	$427,186 08

The report which follows shows the condition of this company at the close of business December 10, 1912:

Assets

Market value of real estate, including equities in real estate received as salvage	$78,873 94	
Real estate mortgages	48,406 40	
Market value of bonds	359,920 00	
Cash in banks and home office	16,147 14	
Cash in suspended banks	2,877 01	
Interest and rents due and accrued	4,647 57	
Outstanding premiums over ninety days:		
Gross	$187,110 80	
Less commissions	46,777 70	
	140,333.10	
Gross assets		$651,205 16

Deduct Assets Not Admitted

Cash in suspended banks	$2,877 01	
Net outstanding premiums	140,333 10	
		143,210 11
Total admitted assets		$507,995 05

Liabilities

Reserve for unpaid losses (estimated)	$419,283 44	
Unpaid reinsurance	3,380 87	
Unpaid bills, etc.	13,087 14	
Taxes due and accrued	2,500 00	
Total liabilities		$438,251 45
Capital paid up in cash	$250,000 00	
Impairment	180,256 40	
Surplus as regards policyholders		69,743 60
Total		$507,995 05

The aggregate of claims filed against the corporation is the sum of $1,071,882.67. These claims have been examined by your examiner and his assistants, and the liability carried as "Reserve for unpaid losses" above is the aggregate amount of their estimates of the actual liability of the company upon each item of claim.

Present Condition

An examination of this company, made by this Department as of June 30, 1912, showed an impairment in the company's capital of $85,115.56. On August 22, 1912, the company reinsured its total unexpired business, amounting to $271,400.13, with the National Surety Company. The Empire received a commission of 32 per cent. on this business, amounting to $86,948.04. If the assets were all good and the reserves carried in the statement adequate, this would leave the company with its capital unimpaired. But the company was given credit for $110,177.29 for premiums, of which not over $50,000 has since been collected, showing a loss on this item of upward of $60,000. Developments subsequent to June 30th on three claims has caused an increase in the reserve for these claims of approximately $89,000. Subsequent to the date of reinsurance, the company has had no sources of profit and has been obliged to meet the general office expenses by using the assets of the company. These expenses, which do not include adjustment expenses, are now averaging about $1,250 per week, and no provision is made for this contingent liability in the statement above set forth.

Inasmuch as the assets of this company, except $16,147.14 cash in bank and home office, are not liquid and available for the payment of claims, and the amount of claims due and pressing are far in excess of that amount, the situation in respect to ready money has become acute. Unless some measure of relief is devised, there seems grave danger that the accumulations of judgments and levy of execution thereon will dissipate all of the assets of the corporation in the satisfaction of matured claims to the great loss and damage of the other claimants.

THE FEDERAL UNION SURETY COMPANY

Indianapolis, Indiana.

Joint examination by the Insurance Departments of New York, Michigan and Indiana on condition as of December 31, 1911.

Report dated January 26, 1912.

Examiner: Leon S. Senior, of New York.

Assistant Examiners: Herman F. Klerbacher for Michigan, Samuel V. Perrott, actuary, for Michigan, and John E. Watson for New York.

History

This company was incorporated on July 8, 1901, as "The Union Surety Company" under the act of March 2, 1901, of the general Assembly of the State of Indiana. It was formed for the purpose of guaranteeing the fidelity of persons holding places of public or private trust, guaranteeing the performance of contracts, other than insurance, and executing or guaranteeing bonds or undertakings required or permitted in legal proceedings.

The articles of incorporation provided for a capital stock of $250,000 divided into 2,500 shares of the face value of $100 each.

On September 28, 1901, the company was authorized to do business by the auditor of the State of Indiana. The paid in capital stock at that time amounted to $200,000. No provision was made by the incorporators for a paid in surplus.

In 1902 the corporation name was changed to the "Federal Union Surety Co." In the same year the remaining portion of the

capital stock was subscribed and paid for, bringing the total paid up capital stock to the sum of $250,000, as provided by the charter.

On March 15, 1906, the stockholders adopted a resolution authorizing an increase of capital from $250,000 to $500,000. The officers were authorized to issue the stock in such amounts and at such times as the board of directors may determine, provided however that no increase should be ordered for an amount less than $50,000 par value.

Pursuant to this resolution, the directors in 1906 issued $50,000 additional stock, making a total paid in capital stock of $300,000. This left $200,000 of treasury stock undisposed. On two occasions, hereafter referred to, the directors of this corporation made efforts to dispose of this stock to the public at a premium, so as to secure a paid in surplus. On both occasions, the efforts proved not only fruitless, but resulted in financial loss to the company and seriously injured its business and reputation.

Practically throughout its entire history the need of a paid in surplus was keenly felt by the officers of the company. The minutes of the board of directors and the reports of its officers contain frequent expressions of regret that the incorporators made no provision for a surplus at the time of formation.

In the year 1907 the company paid a dividend of 6 per cent. on the capital stock. This is the only dividend paid to stockholders during the entire history of the corporation.

Until September, 1908, Hugh Dougherty served as president of the corporation. In 1908, W. T. Durbin, former governor of Indiana, was elected as his successor at a salary of $10,000 per annum.

On June 8, 1910, the company was reincorporated under the act of March 6, 1909, Laws of Indiana for the purpose of transacting the business of fidelity, surety and casualty insurance.

The company is now admitted in seventeen states. In most of these states it transacts in addition to fidelity and surety business, the following casualty lines: accident, health, burglary and plate glass insurance. The casualty business of the corporation is small and unimportant, the net premium income for 1911 amounting to only $3,847.

Transaction With the Automobile Insurance Company of America

On October 18, 1910, the board of directors adopted a resolution authorizing a committee, consisting of W. T. Durbin, president, Hugh Dougherty, former president, and Samuel E. Rauh, first vice-president, to sell all or any part of the 2,000 shares of treasury stock to any purchaser who will pay therefor not less than the par value and to execute a contract for the sale of such stock upon such terms as they shall deem for the best interests of the company. This resolution provided that in the event of the said stock being sold at a premium of $25 or more per share, the committee above named shall have the power to bind the corporation for the payment of a commission to the person who will effect the sale upon such basis.

Pursuant to this resolution the Federal Union Surety Company entered into a certain agreement with one Edgar E. Hendee, an agent representing the stockholders of the Automobile Insurance Company of America, an Indiana corporation then in process of organization. Under the terms of this agreement the following merger was effected: the Automobile Insurance Company transferred to the Federal Union Surety Company all its assets, consisting of cash, certificates of deposit, mortgage notes and subscription notes amounting to approximately $161,000, and the Federal Union Surety Company issued to the stockholders of the Automobile Insurance Company 1,295.5 shares of its treasury stock at the agreed value of $125 per share.

The stock of the Automobile Insurance Company had been issued at a par value of $10 per share and was sold to the subscribers at $20 per share. Assuming that the stock of the Surety Company had a real value of $125 per share the subscribers and stockholders of the Automobile Company, under this arrangement received in exchange 62½ per cent. of their original investment.

It was represented to the stockholders of the Automobile Insurance Company that the Surety Company had a prosperous and profitable business, that it had a large surplus and that its assets amounted to $800,000. As a matter of fact, the surplus of the Surety Company at the close of 1910, as shown by the report to the New York Insurance Department, amounted to $11,861. A

proper valuation of its liabilities would have reversed such surplus to a deficit.

Orin S. Miller, an officer of the Automobile Insurance Company, subsequently instituted proceedings in the courts of Indiana for an annulment of the merger and for the appointment of a receiver for the Automobile Insurance Company. The petition was granted, the merger was declared illegal and void and the court appointed John M. Hall as receiver for the said company and ordered the Federal Union Surety Company to retransfer all the assets acquired in the merger to the said receiver.

Pursuant to this order the Surety Company, on December 22, 1910, transferred to the receiver all of the assets acquired from the Automobile Insurance Company. Out of a total number of 1,295.5 shares issued by the Surety Company in exchange for such assets, 1,039.3 have been surrendered and canceled. There are still outstanding 256.2 shares, representing a par value of $25,620, held by stockholders who have thus far apparently declined to return such stock to the receiver of the Automobile Insurance Company or to the Surety Company for cancellation.

We are advised that this outstanding stock does not represent a liability chargeable to the Surety Company as there are sufficient funds in the hands of the receiver to meet the obligation represented by these outstanding shares of stock.

There is now pending an action in the courts of Indiana wherein the Surety Company has petitioned for an order subrogating the Surety Company to the rights of the parties who have failed to return their stock and directing the receiver to pay over to the Surety Company the sum of $32,775, representing the purchase price of such stock.

On November 21, 1910, the Surety Company paid $9,000 to W. J. Henley, a director in the Federal Union Surety Company. This sum was to be disbursed by the said W. J. Henley as commissions and services for the sale of the Federal Union Surety stock.

When the contract for the sale of this stock was declared invalid and the consideration returned to the receiver of the Automobile Insurance Company, the sum of $7,645.25 was returned to the treasury of the Federal Union. We are advised that the balance had been paid to Chipman & Hendee, a firm of attorneys in Ander-

son, Indiana, who have refused to return that amount to the Surety Company.

The minutes of the board of directors or of the executive committee, aside from the resolution of October 18, 1910, above mentioned, contain no reference to this matter and the transaction has been entirely omitted from the annual statement rendered to the State and Federal authorities as of December 31, 1910.

Transactions With American Bankers Assurance Company

On May 18, 1911, the board of directors adopted a resolution authorizing a committee consisting of W. T. Durbin, president, and Samuel E. Rauh, vice-president, to sell the 2,000 shares of treasury stock at the best obtainable price, but not less than $120 per share.

On the same day the committee reported the sale of the above 2,000 shares for the sum of $250,000 and the receipt of the cash and securities representing the purchase price. The board approved the action of the committee and ratified a certain contract dated May 4, 1911, entered into between the Federal Union Surety Company, Samuel E. Rauh, W. T. Durbin and the American Bankers Assurance Company.

This contract provided for the sale of 2,000 shares of treasury stock in the Federal Union to the American Bankers at $125 per share or for a total of $250,000. Two hundred thousand dollars of this amount was to be applied for capital and $50,000 for surplus.

In addition thereto Durbin and Rauh agreed to sell to the American Bankers 1,000 privately owned shares of Federal Union stock at $90 per share, thereby giving to the American Bankers the majority control. It was also agreed that the Federal Union will secure the resignations of a majority of the board of directors, the resignations of officers and the election of their successors in accordance with the designation made by the executive committee of the American Bankers. Pursuant to this agreement John B. Christensen was elected president to succeed W. T. Durbin, resigned. A. C. Landon was elected vice-president to succeed S. E. Rauh, resigned. Three directors of the old board also resigned and were

succeeded by representatives from the American Bankers Assurance Company.

The board also voted $2,500 to S. E. Rauh for services rendered. The securities turned over to the Federal Union Surety in exchange for the 2,000 shares of treasury stock consisted approximately of $57,000 in cash and certificates of deposit and $190,000 bonds secured by mortgage on land in the State of Missouri owned by the "Missouri Farm Colonies Company."

This land comprised approximately 40,000 acres. There appears to have been a wide divergence of opinion among real estate experts as to the value of such land. The loan value has been variously estimated by Department examiners from $50,000 to $160,000. There is a long history connected with the acquisition of this mortgage by the American Bankers Assurance Company and the subsequent transfer of this doubtful asset to the Federal Union Surety in exchange for its treasury stock.

In July, 1911, the Honorable Charles H. Maull, insurance commissioner of Delaware, revoked the certificate of authority and instituted proceedings for the appointment of a receiver for the American Bankers Assurance Company.

In August, 1911, the Treasury Department of the United States Government caused an examination to be made of the affairs of the Federal Union Surety Company and as a result of such examination revoked the company's license as surety on government bonds.

In August, 1911, attorneys for this company investigated the transaction by which the American Bankers acquired the control of the majority stock of the Federal Union Surety Co. The investigation showed that the securities which the American Bankers Assurance Company turned over to the Federal Surety Company were grossly inadequate and that the whole transaction was fraudulent. Steps were then taken to rescind the agreement entered into between the parties on May 18, 1911. With the aid and approval of the insurance commissioner of Delaware, the contract was rescinded on September 5, 1911. All of the securities were returned to the American Bankers Assurance Company and the 2,000 shares of treasury stock were surrendered and canceled. W. T. Durbin again resumed the presidency of the corporation.

Present Ownership

Immediately after the rescission of the contract with the American Bankers Assurance Company negotiations were opened with representatives of the Western Casualty and Guaranty Company with the view of effecting arrangements for the purchase of the stock of either company by the other.

On November 6, 1911, arrangements were concluded by means of which control of a majority of the stock of the Federal Union Surety Company passed to the following stockholders: R. P. Wofford, George A. Carden, J. W. Wright and T. J. Lewis. These four gentlemen were elected directors of the company. W. T. Durbin resigned as president and treasurer. R. P. Wofford was elected to succeed him. Samuel E. Rauh resigned as vice-president. George A. Carden was elected as vice-president and general counsel. The board voted the sum of $1,500 to W. H. Durbin as compensation for services from September 19th to November 6, 1911. An executive committee was also elected composed of R. P. Wofford, J. W. Wright and George A. Carden. A resolution was adopted defining the power of the executive committee and vesting such committee with exclusive authority to sell or dispose of treasury stock at a price not less than the par value. As the members comprising the executive committee control a majority of the stock of the surety company their affiliations with other corporations and financial institutions is a matter of interest to the departments and is shown herein as follows:

R. P. Wofford, president of Federal Union Surety Co.; cashier Commonwealth National Bank of Dallas, Texas; residence, Dallas, Texas.

Geo. A. Carden, vice-president and general counsel of the Federal Union Surety Company; vice-president and general counsel of the Western Casualty and Guaranty Insurance Co.; residence, Dallas, Texas.

J. W. Wright, director Federal Union Surety Company; president Commonwealth National Bank, Dallas, Texas; residence, Dallas, Texas.

The Western Casualty and Guaranty Insurance Company referred to herein is an insurance corporation organized under the laws of Oklahoma with a principal office at Dallas, Texas.

Financial Statement

The following statement shows the assets and liabilities as of December 31, 1911.

Ledger Assets

Book value of real estate		$14,490 71
Mortgage loans on real estate		187,300 00
Book value of bonds		74,815 65
Deposits in banks and trust companies		97,512 87
Deposits held in name of Excise Reinsurance Association		47,054 07
Premiums in course of collection written prior to October 1st.		19,693 78
Premiums in course of collection written on or after October first		50,242 17
Bills receivable		4,960 31
Accounts receivable:		
Due from agents		3,178 34
Due from reinsuring companies		8,369 93
Due from contractors		14,901 77
Due from U. S. Government		1,327 46
Total ledger assets		$523,847 06

Non-Ledger Assets

Interest accrued:		
On mortgages	$2,622 19	
On bonds	337 96	
On bank deposits	133 59	
Total non-ledger assets		3,093 74
Gross assets		$526,940 80

Assets Not Admitted

Book value of real estate over market value	$1,200 00	
Real estate held as collateral to secure payment of a debt	12,290 71	
Book value of bonds over market value	965 29	
Deposits held in name of Excise Reinsurance Association	228 25	
Premiums in course of collection written prior to October first	19,693 78	
Bills receivable	4,960 31	
Accounts receivable:		
Due from agents	495 70	
Due from reinsuring companies	2,861 96	
Due from contractors	14,901 77	
		57,597 77
Total admitted assets		$469,343 03
Impairment of capital stock		130,858 17
		$600,201 20

Liabilities

Reserve for unpaid losses	$116,997 33	
Reserve for unearned premiums:		
On business written for one year or less	67,334 05	
On business written for more than one year	19,622 96	
On excise bonds written in New York	51,119 90	
Advance premiums	21,736 82	
Commissions due and accrued	12,616 88	
Taxes due and accrued	5,750 00	
Due to reinsuring companies	2,802 01	
Premiums on risks transferred to other companies	92 81	
Bills and accounts due and accrued	2,128 44	
Total liabilities except capital		$300,201 20
Capital stock		300,000 00
Total liabilities		$600,201 20

LIABILITIES

Reserve for Losses: The reserve for losses represents the result of careful consideration of the company's ultimate liability in all pending claims. The record of such claims was found in an imperfect condition. At the request of the examiners all pending claims were entered on such record and the files examined in detail. In our opinion the company has, in recent years, under-estimated its liability on account of losses incurred. The laws of the various states do not provide any fixed standards for the valuation of loss reserves of surety companies. The valuation of such reserves is practically in the hands of the companies, who are expected to use proper judgment. The various annual and quarterly statements submitted by this company to state and federal authorities indicate that it has not used such judgment and that it has persistently under-estimated its liability for losses incurred. This was undoubtedly due to its financial condition and to the effort which it was obliged to sustain in order to show that its capital was unimpaired and that it was in possession of surplus funds.

In making estimates for the purpose of the loss reserve the examiners have made an exhaustive and critical investigation of the facts involved in each case and have been guided in their conclusions by the past experience of the company and by such

information as could be gathered from outside sources. It will be noted that there exists a serious difference of opinion between the company and the examiners as to the total amount properly chargeable as a reserve for losses. The company estimates such amount to be $35,450. The examiners estimate the amount at $116,997. While in a number of cases the examiners' judgment is identical with that of the company, there are nevertheless about twelve serious cases which indicate the probabilities of future large payments. Irrespective of the merits in each case, the litigation to which the company is exposed and the probability of adverse verdicts being rendered by the courts in such cases justify the provision for an adequate reserve.

Reports to State and Federal Authorities

As indicated in this report the financial statements rendered to the state and federal authorities yearly and quarterly did not in the past three years reflect the true condition of the company. Not only has the company under-estimated its liabilities for losses incurred and computed its unearned premiums on a wrong method, but in addition thereto it has carried out certain transactions at the end of each period when it was required to submit sworn reports to supervising authorities. These transactions were investigated in this examination and the facts developed require special comment.

Contribution to Surplus

According to entries made on the company's books the stockholders contributed the sum of $50,000 to the surplus of the corporation on March 31, 1911, the date of the quarterly report to the United States Treasury Department. Such book entries also show that the contribution was returned on May 20, 1911.

The examination of this transaction developed the following facts: On March 31, 1911, the directors of the company, thirteen in number, issued promissory notes for the following amounts:

Name	Amount
J. F. Wild	$5,000 00
Henry C. Paul	5,000 00
Newton Jackson	5,000 00
L. C. Davenport	5,000 00

Name	Amount
E. M. Wilson	$1,000 00
C. M. Abbott	2,000 00
F. H. Cutshall	1,000 00
B. E. Parrott	1,000 00
W. J. Henley	5,000 00
H. L. Beveridge	5,000 00
W. T. Durbin	5,000 00
S. E. Rauh	5,000 00
T. F. Rose	5,000 00
Total	$50,000 00

These notes were made payable to the Federal Union Surety Company, were endorsed by the surety company and discounted by the Indiana National Bank.

The bank on March 31, 1911, issued a certificate of deposit to the Federal Union Surety Company for the proceeds of the said notes. This certificate was credited by the company on its books as a contribution to surplus and the amount of such contribution included in the sworn report to the United States Treasury Department as of March 31, 1911.

On May 18, 1911, the date when the transaction with the American Bankers Assurance Company was consummated the certificate of deposit, representing the above contribution was surrendered and the directors' notes taken up. On the same day the company paid the sum of $166.67 as interest on loan from the Indiana National Bank.

This so-called contribution to surplus, in the light of subsequent events, appears nothing more than a loan obtained from the Indiana National Bank on the credit of the individual directors.

The minutes of the board of directors contain no reference to this contribution and we are advised that there exists no record indicating any authority for its withdrawal.

It is the opinion of counsel for company that persons who were creditors of the company on March 31, 1911, will have a right to recover as against the individual directors if the assets of the corporation should prove insufficient to meet all of its liabilities.

Burke and Durbin Account: Burke & Durbin is a firm of contractors who have completed and are now engaged in completing certain contracts for which this company issued surety

bonds guaranteeing their performance. We are advised that W. T. Durbin, formerly president of the company, is related to a member of the above firm. The said W. T. Durbin also appears to be vice-president of the Citizens' Bank of Anderson, Indiana.

Terre Haute Contract: This company guaranteed the performance of a certain paving contract for the city of Terre Haute, Indiana. The principal defaulted and the company employed Burke & Durbin to complete the contract. During 1908 the surety company advanced $37,500 to the contractors. On December 31, 1908, the company obtained from the Citizens' Bank of Anderson, Indiana, a certificate of deposit for the sum of $37,500 in exchange for its obligation. The amount represented by such certificate of deposit was credited to the Burke & Durbin account and treated as the company's absolute assets in its annual statement to the state and federal authorities as of December 31, 1908.

On February 27, 1909, the certificate of deposit was surrendered to the Citizens' Bank of Anderson, Indiana, the company's obligation canceled and the amount charged back to the Burke & Durbin account.

Topeka Contract: This company guaranteed the performance of a certain contract for the construction of a sewer for the city of Topeka, Kansas. The principal on the bond defaulted and the surety company was obliged to complete the work. The firm of Burke & Durbin was employed by the surety company for this purpose. The contract resulted in a loss to the surety company, amounting to $16,545.46. The ledger account of Burke & Durbin, Topeka, Kansas, shows a loss of only $1,545.46. The analysis of this account and an investigation and inquiry into the meaning and purpose of certain book entries disclosed the following facts:

On December 29, 1909, the surety company signed a promissory note for $21,000 due in thirty days and secured in exchange for such note a certificate of deposit from the Citizens' Bank of Anderson, for a like amount. This certificate of deposit was entered in the company's bank as a credit to the Burke & Durbin account. The cash represented by this certificate was included in the company's assets as reported to the state and federal authorities in the annual statement as of December 31, 1909, without

showing a corresponding liability for the obligation which had been issued in exchange for such certificate.

On February 28, 1910, the certificate of deposit was surrendered and the amount charged back to the Burke & Durbin account.

On June 28, 1910, the company obtained three certificates of deposit for $5,000 each from the Citizens' Bank of Anderson. These certificates were issued for three notes of like amount signed by Burke & Durbin and endorsed by the surety company. The amounts represented by these three certificates of deposit were entered on the books as credits to the Burke & Durbin account and treated as the company's absolute assets in the sworn reports to the United States Treasury Department as of June 30, 1910, without showing the corresponding liability for the obligation assumed by the endorsement of such notes.

During July, September and October these notes were paid by the surety company, the certificates surrendered and the total amount of $15,000 charged on account of surety losses sustained in the State of Kansas.

The reports to supervising authorities hereinbefore referred to were prepared during the administration of W. T. Durbin.

Quarterly Statement of June, 1911: The quarterly statement submitted to the United States Treasury Department as of June 30, 1911, has been prepared in a manner indicating an intention to conceal the fact that the sum of $50,000 which was previously reported as a contribution to surplus had been returned to the directors during the period covered by the quarterly report. To accomplish this result and at the same time show a reconciliation of the ledger assets at the beginning and at the end of the quarterly period the company in such report omitted two important transactions:

First: It omitted from its income the premium of $50,000 obtained from the sale of treasury stock to the American Bankers Assurance Company.

Second: It omitted from its disbursements the payment of $50,000 to the directors.

Both of these transactions occurred on the same day and one was evidently used as an offset against the other. This statement was prepared during the administration of John D. Christensen.

Conclusion

The management which conducted the affairs of this company for the past three years is, in our opinion, directly chargeable for the difficulties under which the company finds itself at present.

It entered into illegal contracts for the purpose of selling the treasury stock and employed a series of deceptive methods in the reports to state and federal authorities. It increased the assets and diminished the liabilities by fictitious book entries, by loans from banks and directors and by wrong estimates of incurred liabilities.

The financial statement shown in this report reflects, in our opinion, the true condition of this company. The present owners of the stock should be required not only to restore the impairment as shown herein, but to provide a satisfactory surplus as a guarantee of future solvency.

This report would be incomplete without a word of appreciation for the resident officers of this company who have afforded every facility to make this examination thorough and complete.

THE GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED — U. S. BRANCH

PERTH, SCOTLAND

Examination on condition as of December 31, 1912.
Report dated May 26, 1913.
Chief Examiner: Arthur F. Saxton.

FINANCIAL STATEMENT

The following statement shows the income and disbursements for the year 1912, and the assets and liabilities as of December 31, 1912.

Ledger assets, December 31, 1911		$2,880,544 89
Income		
Net premiums:		
Accident	$1,037,490 45	
Health	333,816 70	
Liability	1,717,269 14	
Burglary and theft	133,887 53	
Automobile	254,626 25	
Total premiums		3,477,090 07

Policy fees	$116,517 00	
Interest	72,627 69	
Rents	10,774 96	
Amount received from home office	51,798 43	
Gross profit on sale of bonds	1,614 32	
Bonus on mortgage renewal	16 04	
		$253,348 44
Total income		$3,730,438 51
Total		$6,610,983 40

Disbursements

Losses and claims:		
Accident	$430,143 96	
Health	170,404 24	
Liability	660,955 10	
Burglary and theft	73,294 35	
Automobile	116,930 97	
Total losses and claims		1,451,728 62
Investigation and adjustment of claims:		
Accident	$5,451 63	
Health	1,078 80	
Liability	236,210 16	
Automobile	26,128 05	
Burglary	393 33	
Total investigation and adjustment		269,261 97
Policy fees retained by agents		116,517 00
Commissions:		
Accident	$301,889 40	
Health	86,262 90	
Liability	516,162 03	
Burglary	40,200 53	
Automobile	76,614 65	
Total commissions		1,021,129 51
Salaries, fees and other compensation of officers and home office employees		210,198 01
Salaries, traveling and other expenses of agents		84,041 20
Medical examiners' fees and salaries		14,279 52
Inspections (other than medical and claim)		30,713 67
Rents, including $6,608.32 for company's occupancy of its own building		33,310 08
Repairs and expense (other than taxes) on real estate		10,767 06
State taxes on premiums		56,749 24

Insurance Department licenses and fees	$9,826 61
All other fees and taxes	5,386 42
Legal expenses	8,719 06
Advertising	9,000 98
Printing and stationery	44,493 50
Postage, telegraph, telephone and express	19,392 08
Furniture and fixtures	10,932 95
Remitted to home office	130,957 20
Miscellaneous expenses	51,319 47
Gross loss on sale of bonds	643 83
Total disbursements	$3,589,367 98
Balance (ledger assets, December 31, 1912)	$3,021,615 42

Ledger Assets

Book value of real estate			$213,160 58
Mortgage loans on real estate			19,000 00
Book value of stocks			86,544 15
Book value of bonds			1,659,321 72
Cash in company's office			11,070 15
Deposits in banks and trust companies not on interest			63,988 10
Deposits in banks and trust companies on interest			47,032 30
Premiums in course of collection, viz.:			
	On Policies issued on or after Oct. 1, 1912	On Policies issued prior to Oct. 1, 1912	
Accident	$95,822 06	$22,463 09	
Health	31,940 68	6,307 89	
Liability	496,409 01	113,946 20	
Burglary and theft	35,324 27	11,876 40	
Automobile	55,935 36	15,274 59	
Total	$715,431 38	$169,868 17	885,299 55
Amounts receivable			32,731 83
Cash in branch offices			3,477 04
Ledger assets, as per balance			$3,021,615 42

Non-Ledger Assets

Interest accrued on bonds	$21,086 94	
Interest accrued on mortgage loans	616 21	
Total non-ledger assets		21,703 15
Gross assets		$3,043,318 57

Deduct Assets Not Admitted

Premiums in course of collection on business written prior to October 1, 1912	$169,868 17	
Book value of bonds and stocks over market value	94,970 87	
Book value of real estate over market value	33,160 58	
Accounts receivable	32,731 83	
		$330,731 45
Total admitted assets		$2,712,587 12

Liabilities

Unpaid losses and claims:		
Accident and health	$197,957 56	
Burglary and theft	18,291 12	
Automobile	43,088 17	
Special reserve for liability losses	555,679 00	
Total unpaid losses and claims		815,015 85
Unearned premiums (pro rata)		1,330,401 75
Commissions on business written subsequent to October 1, 1912		238,477 12
Salaries, rents, bills and accounts due and accrued		11,800 20
Taxes due and accrued		69,541 80
Advance premiums		16,546 70
Agents' profits unpaid		3,079 28
Total liabilities, except capital		$2,484,862 70
Deposit capital	$250,000 00	
Impairment	22,275 58	
Surplus as regards policyholders		227,724 42
Total liabilities		$2,712,587 12

Remittances From Home Office.

Upon notice of the inpairment of the deposit capital, the home office officials promptly remitted to the United States trustee, the Girard Trust Company of Philadelphia, Pa., the sum of $243,-456.25, $194,850.00 of which was received April 11th, and $48,-606.25 April 15th. The receipt of the above remittances has been duly verified by this Department. The account of the United States Branch with the Home Office shows that between January 1st and May 23, 1913, the net amount remitted from the home office to the United States Branch was $213,570.57.

RECONCILIATION OF COMPANY'S ANNUAL STATEMENT WITH FINANCIAL STATEMENT SHOWN IN THIS REPORT

On December 31, 1912, the company in its annual statement reported as a surplus over liabilities, including the deposit capital of $250,000, the sum of $332,079.59. As a result of this examination, we report an impairment in the deposit capital of $22,275.58, or a decrease of $354,355.17. This decrease is accounted for in the following manner:

	Amount reported by Company	Amount reported by Department
Uncollected premiums over 90 days due	$76,943 72	$169,868 17
Unpaid losses and claims	175,519 24	259,336 85
Reserve for unpaid liability losses	425,850 00	555,679 00
Unearned premium reserve	1,256,554 59	1,330,401 75
Unpaid commissions	269,451 93	238,477 12
Unpaid bills	10,000 00	11,800 20
Accounts receivable	32,699 55	32,731 83
Due agents for profits		3,079 28
Totals	$2,247,019 03	$2,601,374 20
		2,247,019 03
Total decrease in surplus		$354,355 17

The amount of the difference in the above items is set forth herewith:

	Decrease by Department	Increase by Department
Uncollected premiums over ninety days due		$92,924 45
Unpaid losses and claims		83,817 61
Reserve for unpaid liability losses		129,829 00
Unearned premium reserve		73,847 16
Unpaid commissions	$30,974 81	
Unpaid bills		1,800 20
Accounts receivable		32 28
Due agents for profits		3,079 28
	$30,974 81	$385,329 98
		30,974 81
Total net increase by department		$354,355 17

Uncollected Premiums: The difference of $92,924.45 in this item is largely attributable to return premiums due agents for

policies on which the premiums had been paid prior to October 1, 1912, but not cancelled until subsequent to that date.

Unpaid Losses and Claims: Specific estimates were used in determining the liability for unpaid accident, health, burglary and automobile claims. Where payment had been made since January 1, 1913, the amount paid was used in determining the amount of liability. All open cases were actually examined and as a result, the company's estimates have been increased $83,-817.61. Approximately $30,000 of this is on account of claims incurred prior to December 31, 1912, notices of which were not received until subsequent to that date. The balance of such increase is due largely to information received since December 31, 1912, on claims incurred prior to that time. This increase in the company's reserves was distributed to the various lines as follows:

	Company's Estimate	Department's Estimate	Increase by Department
Accident and health	$124,294 79	$197,957 56	$73,662 77
Burglary	15,136 28	18,291 12	3,154 84
Auomobile	36,088 17	43,088 17	7,000 00
Totals	$175,519 24	$259,336 85	$83,817 61

Reserve for Unpaid Liability Losses

This reserve is calculated according to the provisions of section 86 of the Insurance Law, which provides that the ratio of loss payments and outstanding to earned premiums for past years be ascertained and applied to the earned premiums of recent years, and after deducting the loss payments, the balance shall be the reserve, except that a suit test is provided for the first three years of the last five year period, and in case the remainder should prove insufficient, an amount equal to $750 for each outstanding suit is carried into the reserve. A reserve of $750 for each suit on business between five and ten years old is charged, as well as $1,000 for each suit on business written prior to ten years from the time in which the statement is made. All claim expenses are included in loss payments. Certain items of expenses consist, in part, of acquisition expense and in part of claim expense. The claim expense portion of such items is not chargeable to any specific claim or claims, but is chargeable to the claim

expense as a whole. The custom generally is to allocate the amount of such items to the two Departments on a percentage basis once a month. This has been done by the company for the years of 1911 and 1912, but for previous years this was not done. It was found to be impossible to go back through the expenses of the eight years prior to 1911 and correctly distribute the various expenses item by item into the two classes. The company took arbitrary amounts for the unallocated expenses for these years. In order to produce a proper reserve, these unallocated expenses must be treated consistently for the various years. The method of distribution for the years 1911 and 1912 was thoroughly checked and found to be correct. The percentage of the unallocated to the losses and allocated expenses for these two years was ascertained and applied to the losses and allocated for the previous years in order to obtain the unallocated for such years on a correct and consistent basis. To illustrate, I submit herewith tables showing the losses and allocated together with the unallocated, and percentage of latter to former for the years 1903–1912 inclusive, as submitted by the company and by your examiners.

Company's Figures

Year of Issue	Losses and allocated	Unallocated		Percentage of unallocated to lossses and allocated
1903	$93,321	$3,906		4%
1904	76,119	4,948		7%
1905	77,726	5,840		8%
1906	157,026	7,762		5%
1907	218,165	14,462		7%
	$622,357	$36,918	Average..	5.9%
1908	$291,266	$28,129		10%
1909	499,697	40,692		8%
1910	562,699	60,485		11%
1911	393,690	83,840		21%
1912	226,885	45,687		20%
	$1,974,237	$258,833	Average..	13.1%
Grand average				11.4%

	Our Figures			
1903	$93,321	$12,938		14%
1904	76,119	14,304		19%
1905	77,726	18,230		23%
1906	157,025	28,177		18%
1907	218,165	38,389		18%
	$622,356	$112,038	Average..	18.0%
1908	$291,266	$54,502		19%
1909	499,698	71,730		14%
1910	562,699	76,437		14%
1911	393,690	83,874		21%
1912	226,884	45,717		20%
	$1,974,237	$332,260	Average..	17%
Grand average				17.1%

It will be noted that the company's figures show that the percentage for the last five years is more than double that of the previous five years, while our percentages differ only by 1 per cent. for the two five-year periods. The company, in using its figures obtained a double benefit. In the first place the proportionate small amounts carried as unallocated for the first five years resulted in producing a reduced experience ratio, from which the reserve is computed, and in the second place the proportionate large amounts for the second five-year period resulted in increasing the amounts to be deducted from the earned premiums. The percentage of losses and outstanding to earned premiums for the years 1903-1907, inclusive, in the company's figures was 57, and on ours 63.9. In order to show in detail our increase in this item, I submit herewith the computation of the liability loss reserve by the company and by your examiners.

Computation of Liability Loss Reserve by Company

Year of Issue	57% of the earned premiums	Loss payments and expenses	Remainder	Outstanding suits at $750 each	Reserve
1908	$332,092	$319,395	$12,697	$14,250	$14,250
1909	541,070	540,389	681	35,250	35,250
1910	621,563	623,184	.....	65,250	65,250
1911	572,112	477,530	94,582	144,110	94,582
1912	473,340	272,572	200,768	233,531	200,768
Totals	$2,540,177	$2,233,070	$308,728	$492,391	$410,100
Reserve for suits in previous years					15,750
Total reserves per company's statement					$425,850

Computation of Liability Loss Reserve by Examiners.

Year of Issue	63.9% of the earned premiums	Loss payments and expenses	Remainder	Outstanding suits at $750 each	Reserve
1908.....	$372,293	$345,768	$26,525	$14,250	$26,525
1909.....	606,568	571,428	35,140	35,250	35,250
1910.....	696,806	639,136	57,670	65,250	65,250
1911.....	641,369	477,564	163,805	144,110	163,805
1912.....	521,700	272,601	249,099	233,531	249,099
Totals...	$2,838,736	$2,306,497	$532,239	$492.391	$539,929
Reserve for suits in previous years.....					15,750
Total reserve per examiners' statement.....					$555,679

Unearned Premiums Reserve: The increase of $73,847.16 in this item is due to the fact that the company reported on a 50 per cent basis, while our figures were computed on a pro rata by month basis.

Unpaid Commissions: This decrease of $30,974.81 was due to the transfer of $92,924.45 of the uncollected premiums from under dues to over dues.

Unpaid Bills: A check of the actual payments subsequent to January 1, 1913, on account of debts incurred previous to that time is responsible for this increase of $1,800.20.

Accounts Receivable: This amount of $32.28 was carried as cash in bank when it should have appeared as accounts receivable.

Due Agents for Profits: This item of $3,079.28 was found to be due agents on December 31, 1912, for profits under the provisions of their profit-sharing contracts, and not carried as a liability by the company.

Conclusion

The remittance from the home office of $243,456.25 has placed the United States branch in possession of a substantial surplus over all liabilities. An examination of the United States branch of this company will be made as of December 31, 1913, when a full report on its condition as of that date will be submitted.

ILLINOIS SURETY COMPANY

Chicago, Ill.

Joint examination by the Insurance Departments of Illinois, New York and Michigan on condition as of December 31, 1912.

Report dated February 8, 1913.

Examiners: Lucius Pfonts for Illinois, John L. Train for New York, and R. A. Palmer for Michigan.

History

The Illinois Surety Company was incorporated on April 13, 1905, under the laws of the State of Illinois with a capital stock of $250,000 and a paid-in surplus of $50,000. On December 30, 1912, the capital of the company was increased $250,000 and $50,000 additional paid in to surplus, making a total capital of $500,000 and the total paid-in surplus $100,000. The increase in capital in December, 1912, and the amount paid in to surplus were verified by the Illinois Insurance Department. Under its charter, the company is authorized to transact the business of fidelity and surety insurance, and transacts business in twenty-seven States, the District of Columbia and the Panama Canal Zone.

Financial Statement

As a result of this examination we find the financial condition of the company as of December 31, 1912, to have been as follows:

Ledger Assets

Book value on bonds		$422,125 17
Cash in office		57 00
Cash in hands of New York Excise Reinsurance Association		39,237 96
Deposits in banks on interest		371,014 24
Uncollected premiums on policies issued on or after October 1, 1912		53,131 91
Uncollected premiums on policies issued prior to October 1, 1912		95,768 38
Accounts receivable		2,358 85
Advances on contracts		27,672 25
Agent's balance		462 52
Bills receivable		10,605 75
Total ledger assets		$1,022,434 03

Non-Ledger Assets

Interest accrued on bonds		$5,044 60
Gross assets		$1,027,478 63

Deduct Assets Not Admitted

Bill receivable	$10,605 75	
Accounts receivable	2,358 85	
Advances on contracts	27,672 25	
Uncollected premiums on policies issued prior to October 1, 1912	95,768 38	
Agent's balance	462 52	
Book value of bonds over market value	10,055 17	
		146,922 92
Admitted assets		$880,555 71

Liabilities

Unpaid claims:		
Fidelity	$5,856 30	
Surety	75,403 15	
Surety under New York excise reinsurance agreement	17,057 50	
Total unpaid claims	$98,316 95	
Unearned premiums:		
One year or less, 50 per cent	$145,365 23	
Term, pro rata	22,261 77	
Excise risks in New York State, 75 per cent	35,853 39	
Total unearned premiums	203,480 39	
Commissions	15,408 26	
Accrued bills	1,854 56	
Unpaid taxes (estimated)	4,829 97	
Reinsurance	1,546 13	
Advance premiums	4,803 59	
Total liabilities, except capital		$330,236 85
Capital paid up in cash	$500,000 00	
Surplus over all liabilities	50,318 86	
Surplus as regards policyholders		550,318 86
Total liabilities		$880,555 71

Liabilities

Unpaid Claims: With the exception of claims arising under the agreement with the New York Excise Reinsurance Association, the reserve for unpaid claims is based upon the judgment of the examiners after a careful investigation of the claim files in each individual case. This method of determining the ultimate losses on incurred claims is unscientific for in no class of insurance are the claims more uncertain as to their final determination. The legal technicalities involved are numerous and the constantly changing attitude of the courts as to defenses not affecting the merits of the case also have their affect on the loss ratio. Where individual estimates are used based on the facts as set forth in the claim files, the reserve of the examiners based on the individual cases is liable to be less than the ultimate aggregate loss on all the outstanding claims. Many claims that are filed before December 31, 1912, do not contain sufficient information or are not so developed as to form a basis for an adequate reserve. These claims undoubtedly cost more than the nominal reserve set up by either the company or examiners.

In addition to the information as disclosed by the claim files, we have also taken into consideration the arguments of the officials of the company on individual cases, and the experience of the company as to estimates made in previous years. The system of keeping claim records is inadequate and incomplete. No claim book is maintained. Such a book should contain a record of every notice of claim filed with the company and its history. The original list of outstanding claims which the company intended to use in its annual statement was incomplete. We believe that the failure of the company to report all unpaid claims was due to a misunderstanding of the requirements of the statement blank. The officials of the company had taken the position that only claims upon which they believed a loss would occur should be included in its schedule of unpaid claims. That the judgment of the company officials has been erroneous in some instances was shown by completing the schedule of outstanding claims for December 31, 1911. A number of claims unreported on that date as outstanding have resulted in losses. The only experience re-

ported by the company which can be used as a basis for showing a comparison of payments to estimates is the schedule, completed by the examiners, of the outstanding claims as of December 31, 1911. On that date the company reported an estimate on outstanding claims of $53,600.39. During 1912 the losses paid on these claims amounted to $58,568.19, and we estimate the amount to be paid on the balance of the claims to be $56,201.51, showing that the claims were underestimated $61,170.31.

The statement of the New York Excise Reinsurance Association showing its estimates for outstanding claims on December 31, 1912, has been verified by the New York Insurance Department.

In December, 1912, the company canceled the premiums in force on contract bonds covering contracts providing for the completion of the work prior to December 31, 1912. It is the opinion of the examiners that on many such contract cases sufficient evidence had not been furnished the home office of the company to warrant the cancellation at that date.

In this examination we have considered premiums on the contract where the work is not completed as being in force until the final completion of the contract and that until then the company may be liable for a loss. The unearned premiums on the policies cancelled by the company in December under these conditions amounted to $3,809.04.

Surplus

On December 31, 1911, the company reported a surplus of $90,229.89. The surplus on December 31, 1912, is found to be $50,318.86, or a decrease during the year of $39,911.03. On December 30, 1912, the stockholders of the company paid in to surplus $50,000, so that the actual loss to the company amounted to $89,911.03. The decrease in surplus is accounted for as follows:

Underwriting

Underwriting income earned	$290,027 66	
Less underwriting losses and expenses	373,240 25	
Loss from underwriting		$83,222 59

Investments

Investment income earned	$15,746 83	
Investment losses and expenses	2,435 32	
Gain from investments		$13,311 56
Net loss		$69,911 03
Surplus paid in	$50,000 00	
Dividends to stockholders	20,000 00	
Gain		30,000 00
Net loss in surplus during 1912		$39,911 03

Dividends

Since the incorporation of the company, the following dividends have been declared and paid:

Year	Rate	Amount
1907	5%	$12,500
1908	5%	12,500
1909	6%	15,000
1910	6%	15,000
1911	6%	15,000
1912	8%	20,000
Total		$90,000

Management

The present officers of the company are:

President	Albert J. Hopkins
Vice-President	William Grote
Treasurer	William S. Beaupre
Secretary	Charles E. Schick
Assistant Secretary	J. Howard Cahill
Recording Secretary	James S. Hopkins

The legal firm of Hopkins, Peffers and Hopkins are retained as general counsel.

The board of directors consists of nineteen members.

An executive committee composed of five directors, has all the powers given to the board of directors, when not in session. Such committee holds weekly meetings, its principal duties being to pass upon all applications for bonds. If the application is disapproved the bond is not written, or if written before submission

to the Committee and then disapproved it is cancelled if possible, or additional collateral requested.

The expense of management for the year 1912 was 56 per cent. of the premium income.

A. J. Hopkins, formerly United States Senator from Illinois, was elected president of the company on February 12, 1910, and as such officer has direct charge of the management of the company. It is believed that under the present administration, the character of the business written has greatly improved. Although the company showed a large underwriting loss during 1912, many of the bonds on which the losses occurred were written prior to 1910. Mr. Hopkins is also the senior partner of the legal firm of Hopkins, Peffers and Hopkins, the general counsel of the company.

LONDON GUARANTEE AND ACCIDENT COMPANY, LIMITED — U. S. BRANCH

LONDON, ENGLAND

Examination on condition as of December 31, 1912.
Report dated April 12, 1913.
Examiner: John L. Train.

History

The London Guarantee and Accident Company, Limited, was incorporated in London, England, in 1869, and the United States branch of the company was authorized to transact the business of insurance in the State of New York in November, 1892.

The main office of the United States branch is located in Chicago, Illinois. The company is authorized to transact the business of accident and health, liability, steam boiler, burglary and theft, credit, automobile and teams property damage insurance in the State of New York. At the present time the company transacts business in thirty-one states and the territory of Hawaii.

The company has placed in the hands of four trustees in the United States a portion of its funds, who hold the same under a certain deed of trust dated January 24, 1893. A certified copy

of such deed of trust is filed with this report. The present trustees are Orson Smith, David R. Forgan and John S. Runnels, of Chicago, Ill., and Thatcher M. Brown of New York city.

F. W. Lawson is the general manager for the United States branch of the company.

Financial Statement

A statement of the income and disbursements of the company from January 1, 1912, to December 31, 1912, is as follows:

Ledger assets December 31, 1911		$3,560,103 55
Income		
Net premiums:		
Accident	$85,187 33	
Health	13,161 46	
Liability	2,286,503 10	
Workmen's compensation	680,973 57	
Steam boiler	20,710 28	
Burglary and theft	108,388 03	
Credit	351,604 59	
Auto and teams property damage	164,330 70	
Workmen's collective	74,853 58	
Total net premiums	$3,785,712 64	
Interest on bonds	95,026 91	
Interest on bank deposits	3,867 17	
Interest on delayed premiums	126 65	
Profit and loss account, writing off old checks	356 95	
Cash received from home office, London	381,962 85	
Total income		4,267,053 17
Total		$7,827,156 72
Disbursements		
Net losses paid:		
Accident	$58,792 83	
Health	8,283 79	
Liability	1,333,242 90	
Workmen's compensation	68,872 28	
Steam boiler	2,999 86	
Burglary and theft	52,663 51	
Credit	232,516 17	
Auto and teams property damage	45,362 91	
Workmen's collective	48,431 17	
Total losses paid		$1,851,165 42

Investigation and adjustment of claims:		
Accident	$3,291 78	
Health	127 89	
Liability	421,565 75	
Workmen's compensation	6,873 45	
Burglary and theft	2,274 00	
Credit	4,765 48	
Auto and teams property damage	791 64	
Total		$439,689 99
Commissions or brokerage:		
Accident	$29,621 82	
Health	4,401 71	
Liability and workmen's compensation	735,429 48	
Steam boiler	5,157 61	
Burglary and theft	36,791 63	
Credit	105,509 50	
Auto and teams property damage	43,131 05	
Workmen's collective	16,971 45	
Total		977,014 25
Salaries, fees and all other compensation of officers, trustees and home office employees		99,444 26
Salaries, traveling and all other expenses of agents not paid by commissions		96,842 37
Inspections		38,506 14
Rents		9,821 34
State taxes on premiums		51,090 90
Insurance department licenses and fees		4,350 15
Personal property tax		1,170 29
State, city, county taxes and fees		2,162 64
Income tax, sterling bonds		50 04
Legal expenses		1,877 18
Advertising		11,084 81
Printing and stationery		13,043 05
Postage, telegraph, telephone and express		6,041 17
Furniture and fixtures		2,587 86
Remitted to home office, London		57,125 30
Office and general expenses		5,957 23
Exchange		680 18
Bureau subscriptions		8,334 80
Total disbursements		$3,683,039 37
Balance (ledger assets) December 31, 1912		$4,144,117 35

I find the assets and liabilities of the company as of December 31, 1912, to have been as follows:

Ledger Assets

Book value of bonds			$2,922,960 21
Cash in office			1,500 00
Cash in bank on interest			349,418 69
Premiums in course of collection:			
	Under 90 days due	Over 90 days due	
Accident	$15,068 96	$2,273 33	
Health	3,713 28	739 73	
Liability	590,969 80	140,179 22	
Steam boiler	7,323 65	1,691 66	
Burglary and theft	28,181 22	1,006 22	
Auto and teams property damage	31,922 62	1,468 24	
Workmen's collective	15,377 51	3,069 50	
Totals	$692,557 04	$150,427 90	
			842,984 94
Funds in hands of Workmen's Compensation Reinsurance and Inspection Bureau			4,881 70
Funds in hands of claim agents			5,700 00
Agents' suspense account			15,672 12
Traveling suspense account			999 69
Ledger assets			$4,144,117 35

Non-Ledger Assets

Interest due or accrued on bonds		38,081 48
Gross assets		$4,182,198 83

Deduct Assets Not Admitted

Premiums in course of collection written prior to October 1, 1912	$150,427 90	
Book value of bonds over market value	180,414 16	
Funds in hands of claim agents	5,700 00	
Agents' suspense account	15,672 12	
Traveling suspense account	999 69	
Error in balance Workmen's Compensation Reinsurance and Inspection Bureau	226 78	
		353,440 65
Admitted assets		$3,828,758 18

Liabilities

Losses and claims:		
Accident	$38,535 14	
Health	2,118 03	
Steam boiler	4,047 00	
Burglary and theft	10,231 29	
Credit	46,003 09	
Auto property damage	13,496 07	
Workmen's collective	9,604 81	
Total	$124,035 43	
Reserve for unpaid liability losses	1,088,093 00	
Reserve for credit policies expiring in October, November and December, 1912	41,703 25	
Reserve for accrued losses on credit policies in force December 31, 1912	72,922 08	
Total unpaid claims and expense of settlement		$1,326,753 76
Unearned premiums:		
One year or less (50%)	$1,272,781 13	
Term (pro rata)	134,776 61	
Total unearned premiums		1,407,557 74
Commissions or brokerage unpaid:		
Accident and health	$6,336 33	
Liability and workmen's compensation	138,070 54	
Steam boiler	2,150 81	
Burglary and theft	9,482 12	
Auto property damage	8,778 72	
Workmen's collective	3,812 38	
Total commissions or brokerage		168,630 90
Salaries, rents, expenses, etc., due or accrued		917 84
Taxes on premiums		52,524 27
Return premiums		35,159 28
Reinsurance		7,663 77
Advance premiums		742 03
Outstanding checks credited to profit and loss		356 95
Total liabilities except deposit capital		$3,000,306 54
Capital deposit, State of New York	$250,000 00	
Surplus over all liabilities	578,451 64	
Surplus as regards policyholders		828,451 64
Total liabilities		$3,828,758 18

Claim Settlements

An investigation of the paid claims covering insurance for accident, health, burglary and theft and workmen's collective in-

dicates that the company intends to treat its policyholders fairly in the settlement of claims. As a result of the examination, one claim for accidental death was reopened and an additional $1,500.00 paid to the beneficiaries. In this case the facts concerning the accident seem to have been misrepresented to the company by the claim adjuster.

It is recommended that a separate claim record be installed for credit and automobile property damage claims.

The Credit Insurance Adjustment Company, which is composed chiefly of general agents of the company, writes all of the credit insurance of the company and has charge of all the collections from salvage on credit losses. Under its agreement with this company, the adjustment company makes returns to the company for salvage collected and also pays to the assured any portion of salvage due him. It has been suggested that the books of the adjustment company be audited to ascertain whether both the company and the assured have received proper returns from salvage. This company is now making such an audit of the various offices of the adjustment company and upon its completion will make a report to the Department.

Workmen's Compensation

This company is writing workmen's compensation insurance in the following states, viz: California, Illinois, Massachusetts, Michigan, New Jersey, Rhode Island and Wisconsin. An investigation has been made during the course of this examination of the method of settling claims arising under compensation policies. The following schedule will show the number of claims for compensation made prior to December 31, 1912.

STATE	Total No. of Claims	Claims on which Indemnity paid or outstanding	Disabled less than statutory period	Deaths	Loss of Leg, Hand or Eye	Permanent Partial Disability
Illinois	5,682	1,063	4,619	27	10	5
Michigan	533	95	438	5	1	.....
Massachusetts	892	179	713	2	1	.....
New Jersey..	686	99	587	4	.....	.....
Rhode Island	5	2	3	.....	.....	.....
Wisconsin....	55	5	50	.....	.....	.....
California....	1	1	.....	1	.....	.....
Totals...	7,854	1,444	6,410	39	12	5

On claims where the disability lasts less than the period during which no compensation is paid, the company is required to furnish medical attention.

It will be seen that the investigation and settlement of the claims involves an enormous amount of detail work. This is especially true, inasmuch as the laws of the various states require payments to the injured workman or his dependents to be made weekly.

As soon as a claim under compensation is made to the company, a card is made out giving all details concerning the injured and the nature of the injury. Another card called a follow up card is also filled out and filed by date, which is either eight or fifteen days, according to the laws of the state, after the injury occurs. On this date, an investigation is made of all the injured whose compensation would commence to run on that date. If the assured's place of business is in Chicago, an investigation is made from the home office, and if the injured workman has returned to work, the card is marked closed, inasmuch as no compensation is due. Of course, in such cases, the workman receives the necessary medical attention. In out of town cases, postal cards, with return postals attached, are sent to the assured requesting information as to whether the injured workman is still disabled.

If the investigation shows that the workman is still disabled, the cards are filed six days ahead, at which time the first compensation payment will be due. On this date the claims are assigned to investigators who are instructed to find the injured and pay the compensation due. If the injured person is able, he is instructed to call at the Chicago office, if a Chicago claim, to receive his weekly compensation; if unable to do so, the investigators continue to call on him and pay the compensation. On all claims outside the city of Chicago, weekly reports are received from the agents as to all claims in their territory.

In our investigation, we find that the compensation is paid promptly in all cases where the law of the state shows clearly that compensation is due. The laws of some of the states are indefinite and uncertain as to the amount of compensation to be paid and in what cases it should be paid. In order to determine its liability, the company is required in some cases to appeal to

an arbitration board or a state industrial board. When the liability of the company is determined, the benefits are promptly paid. Any delay in making settlements or disputes that have arisen can in practically all cases be blamed on the failure of the laws of the various states to clearly prescribe the amount of benefit due the workman.

Many requests for lump sum settlements in death cases are made to the company. It is the policy of the company to discourage lump sum payments. And further many of the laws do not prescribe the method to be adopted in computing the amount to be paid in a lump sum settlement. All such settlements must be approved either by a court or by an industrial accident board and where such settlements have been made the proper procedure has been taken.

We find that compensation claims, especially those where any dispute arises as to the amount, are settled much more expeditiously and satisfactorily in those states which have industrial accident boards whose duty it is to approve the claim settlements. It is the function of members of such boards to determine the amount due under the compensation law and to issue rulings as to their interpretation of its provisions, and as an almost general rule the company abides by such rulings. As the members of the industrial accident boards devote all their time to the subject of workmen's compensation, it is evident that the ruling of such a board is of more value than that of an arbitration board selected promiscuously. As the injured workman selects one arbitrator and the assured another, these two selecting a third, it devolves upon such third member in most cases to decide the disputed question. It is also true that in but few instances, if any, does the same arbitration board act.

It is believed that in all states there should be some one board or authority which will make a uniform interpretation of disputed questions arising under the law. It can readily be seen that otherwise the insurance companies or arbitration boards will make different decisions as to the benefits to be paid on claims arising under the same provision of the law and a similar state of facts. There are a surprising number of questions arising in the various states as to the benefits to be paid under the compensation acts, and it is important that all the workmen injured

be given a fair and impartial hearing before a competent board whose opinions will be respected by the workmen, insurance companies and courts.

In Illinois, we find that the injured workman has in some cases, even though the amount of the compensation is absolutely certain, placed his claim with an attorney. The files of the company show many liens for attorneys' fees served on the company, the fees in some cases being as much as 50 per cent. of the benefit to be paid. It is the policy of the company, whenever possible, to induce the attorney to accept a smaller fee. There is nothing to show that the services of attorneys are required in any cases except those arbitrated or appealed to the courts, and such cases comprise but a very small proportion of the whole number.

It is also found that the medical fees charged by the doctors are in many cases exorbitant. The payment of such fees will, of course, increase the cost of compensation insurance. The company endeavors to be fair to the doctors, but does in many cases persuade them to accept a reduction from their bills. In Chicago and vicinity some of the doctors are compensated by a fixed percentage of the premiums written within a prescribed territory.

Surplus

On December 31, 1912, the company in its annual statement reported as a surplus over all liabilities the sum of $700,027.11. As a result of this examination, we find the surplus to be $578,-451.64, or a decrease of $121,575.47. This decrease is accounted for in the following manner:

	Amount reported by Company	Amount shown by examination
Uncollected premiums over 90 days due.....	$92,393 60	$150,427 90
Unpaid losses and claims.....	113,901 00	124,035 43
Reserve for credit policies expiring in October, November and December, 1912.....	40,819 91	41,703 25
Reserve for unpaid liability losses.....	1,061,093 00	1,088,093 00
Unpaid commissions or brokerage.....	190,293 48	168,630 90
Salaries, rents, expenses, etc., due or accrued..	554 73	917 84
Error in balance in hands of Workmen's Compensation Reinsurance and Inspection Bureau	.....	226 78
Taxes on premiums.....	30,000 00	52,524 27
Return premiums	11,444 41	35,159 28
Outstanding checks credited to profit and loss.	.....	356 95
	$1,540,500 13	$1,662,075 60
Decrease in surplus.....	121,575 47	

In certain states the statutory deposit required of the company is $500,000.00, and the surplus as reported to those states was $450,027.11, and the surplus shown by this examination on that basis would be $328,451.64. The laws of the State of New York require a statutory deposit of but $250,000.00.

On December 31, 1911, the company reported a surplus of $394,799.65. The surplus as of December 31, 1912, is found to be $578,451.64, or an increase during the year of $183,651.99. It will be seen from the following underwriting and investment exhibit that such increase is accounted for by the fact that during 1912, the United States branch received a net remittance from the home office of the company in London of the sum of $324,837.55.

A summary of the underwriting and investment exhibit for the year 1912, on all classes of business, is shown as follows:

Underwriting

Underwriting income	$3,518,567 71	
Underwriting losses and expenses	3,721,596 92	
Loss from underwriting		$203,029 21

Investments

Investment income earned	$104,822 74	
Investment losses and expenses	42,979 09	
Gain from investments		61,843 65
Balance (net loss)		$141,185 56
Net remittance from home office, London		324,837 55
Increase in surplus during 1912		$183,651 99

The following is a summary of an underwriting exhibit covering liability and workmen's compensation business for 1912:

Underwriting income	$2,719,091 07
Underwriting losses and expenses	2,951,136 65
Loss from underwriting	$232,045 58

This company is a member of the Workmen's Compensation Service and Information Bureau, which is composed of a number of casualty companies writing liability and compensation insurance. Under the rules of the bureau, this company is required to charge certain rates as fixed by such bureau in various states, unless authority is granted to decrease or increase such rates on specific risks. A recent examination has been made of this bureau and the report thereon describes the method of computing rates and the regulations as to special rating. The basis for the rates is contained in various manuals promulgated by the bureau, but in some states, particularly New Jersey and Michigan, a considerable reduction in such rates has been made by the company. As compensation insurance supersedes employers' liability insurance, it is believed that a fair and adequate premium for such insurance will be determined with more certainty.

The total net premiums written by the company in 1912 amounted to $3,785,712.64. The percentage of the premiums in each class of business to the total business written is shown as follows:

Class	Percentage
Accident	.02
Health	.004
Liability	.61
Compensation	.18
Steam boiler	.006
Burglary and theft	.03
Credit	.09
Auto and teams property damage	.04
Workmen's collective	.02
	100%

Of the total premiums written covering liability and workmen's compensation, amounting to $2,967,476.67, 44 per cent. represents premiums on employer's liability, 23 per cent. workmen's compensation, and 33 per cent. other forms of liability insurance.

NEW AMSTERDAM CASUALTY COMPANY

New York, N. Y.

Examination on condition as of September 30, 1912.
Report dated November 2, 1912.
Examiner: John L. Train.
Assistant Examiners: German, Norton and Wheeler.

History

The New Amsterdam Casualty Company was incorporated on December 31, 1898, with a capital stock of $200,000, and a paid in surplus of $100,000. In 1900, the Provident Security Company of San Francisco, California, after negotiating with the New Amsterdam, wound up its business and the stockholders of the Provident agreed to take stock in this company. In March 1900, the authorized capital was therefore increased to $350,000, and $114,400 of the additional $150,000 of capital was paid in at $150 a share, making a total paid for capital stock of $314,400 and a paid in surplus of $157,200. In December, 1900, the charter of the company was amended and the authorized capital fixed at $314,400, its present capital.

No dividends were paid by the company until July, 1908. Since then a semi-annual dividend of 4 per cent. has been declared, making the total disbursements for dividends of $113,184.

Under its charter, the company is authorized to transact the business of accident and health, liability, burglary and theft and plate glass insurance.

Financial Statement

I find the financial condition of the company as of September 30, 1912, to have been as follows:

Ledger Assets

Mortgage loans	$146,500 00
Book value of bonds	602,300 62
Book value of stocks	175,231 38
Cash in bank	57,474 09
Cash in office	13,526 26
Premiums in course of collection on policies issued after July 1, 1912	177,970 40

Premiums in course of collection on policies issued prior to July 1, 1912		$1,289 30
Agents' balances		1,069 69
Ledger assets		$1,175,361 74
Non-Ledger Assets		
Interest accrued on mortgages	$1,717 44	
Interest accrued on bonds	9,019 59	
Interest accrued on cash in banks	85 52	
		10,822 55
Gross assets		$1,186,184 29
Deduct Assets Not Admitted		
Premiums in course of collection written prior to July 1, 1912	$1,289 30	
Agents' balances	1,069 69	
Book value of bonds and stocks over market value	44,687 00	
		47,045 99
Admitted assets		$1,139,138 30
Liabilities		
Unpaid losses:		
Accident and health	$24,056 00	
Plate glass	3,703 00	
Burglary and theft	15,851 00	
Workmen's collective	275 00	
Total	$43,885 00	
Special reserve for unpaid liability losses	211,429 80	
Total unpaid claims		$255,314 80
Unearned premiums:		
One year or less	$429,505 84	
Term	67,650 93	
		497,156 77
Commissions		48,949 61
Accrued bills		2,182 38
Taxes (estimated)		9,200 00
Reinsurance due		1,857 80
Total liabilities except capital		$814,661 36
Capital stock	$314,400 00	
Surplus over all liabilities	10,076 94	
Surplus to policyholders		324,476 94
Total liabilities		$1,139,138 30

Liability Loss Reserve

Section 86 of the Insurance Law provides the method to be followed in computing the reserve for outstanding liability claims on December 31st of any year. No reference is made as to the manner the reserve should be computed at any other period of the year. Under the terms of the law, it is necessary to obtain the amount of earned premiums and the amount of losses paid for ten years preceding the date of the statement, both premiums and losses being allocated to the years in which the policies were written. To apply this principle on an exact basis in order to obtain the reserve as of September 30, 1912, was found to be impracticable, in that it would have necessitated the separation of both the premiums written and losses paid into periods extending from September 30th to September 30th for each year of the ten preceding years. The following method, which can be adapted to any period during the year, and which follows the principle of the loss reserve law, has been used in computing the reserve as of September 30, 1912.

The earned premiums were computed for the ten full calendar years, from 1902 to 1911 inclusive, and the nine months of 1912. As there still remained one-quarter of 1912 to be completed, the ten year period was arrived at by taking 25 per cent., representing one-quarter, of the earned premiums of 1902 and adding thereto 75 per cent., representing three quarters, of the earned premiums of 1903, and calling the sum of the two the first full year of the ten year period. The same system was followed for each of the other years, so that the last year of the ten year period consists of 25 per cent. of the earned premiums of 1911, and all the earned premiums for the nine months of 1912. After the unallocated claim expenses had been apportioned to the various calendar years, by using the same percentages as would be used at the end of the year, the same procedure was followed as to dividing the losses paid. The outstanding suits were divided as to each period of twelve months beginning October 1, 1902, so that the suits arising on policies issued between that date and September 30, 1903, were made the suits of the first year of the ten year period, and the remaining years were divided in the same

manner, so that the suits on policies issued between October 1, 1911, and September 30, 1912, make up suits of the last year.

In order to obtain the experience or loss factor, the percentage of losses and outstanding to earned premiums for the first five years of the ten year period must be obtained. In this company it was found that this percentage was less than 50 per cent., and as the law prescribes a minimum factor of 50 per cent., this percentage was used in arriving at the amount of the reserve.

The computation of the liability loss reserve, using the method as outlined, is shown herewith:

YEARS IN WHICH POLICIES WERE ISSUED	50 per cent earned premiums	Deduct loss payments and expenses	Remainder	Number of suits	$750 for each sui	Reserve
Oct. 1, 1907–Sept. 30, 1908...	$183,889 46	$171,162 35	$12,727 11	9	$6,750 00	$12,727 11
Oct. 1, 1908–Sept. 30, 1909...	183,116 99	193,780 10	.....	26	19,500 00	19,500 00
Oct. 1, 1909–Sept. 30, 1910...	213,262 63	237,484 82	.....	77	57,750 00	57,750 00
Oct. 1, 1910–Sept. 30, 1911...	235,563 23	181,075 41	54,487 82	202	151,500 00	54,487 82
Oct. 1, 1911–Sept. 30, 1912...	126,688 71	66,473 84	60,214 87	103	77,250 00	60,214 87
Totals.....	$942,521 02	$849,976 52	$127,429 80	417	$312,750 00	$204,679 80
Suits prior to Oct. 1, 1907....	.....	.....	.....	9	6,750 00	6,750 00
Total reserve.....	.....	.....	.....	.....	.....	$211,429 80

According to the provisions of section 86 of the Insurance Law, it will be necessary for this company to reserve on a 51 per cent. basis on December 31, 1912.

Settlement of Claims

A thorough investigation was made of the claim settlements in the burglary, accident and health, plate glass and workmen's collective lines. The claim files do not show that the policyholders are being unfairly treated. While the company makes a thorough investigation of the facts concerning each claim, it has not been the company's practice to take advantage of technicalities, unless the rights of the company have been prejudiced.

Surplus

The surplus of the company on December 31, 1911, was $74,483.24, while the surplus on September 30, 1912, was found to be $10,076.94, or a decrease of $64,406.30.

Examination as of December 31, 1912.

Purpose: Verification of reduction of capital from $314,400 *to* $250,000 *and increase of capital from* $250,000 *to* $400,000.

Report dated December 31, 1912.

Examiner: Clarence J. Norton.

THE PRUDENTIAL CASUALTY COMPANY

INDIANAPOLIS, IND.

Joint examination by the insurance departments of Indiana, New York and Michigan on condition as of June 30, 1912.

Report dated July 17, 1912.

Examiners: C. M. Spencer, for Indiana; J. L. Train and C. Rebman Jr. for New York; H. F. Kleibacher for Michigan.

This company was incorporated under the laws of the State of Indiana on June 10, 1908, with an authorized capital of $1,000,000. At the annual meeting of the stockholders, held on January 9, 1911, a resolution was adopted to reincorporate under the provisions of the laws of Indiana, adopted in 1909, with an authorized capital of $600,000. The certificate of reincorporation was filed in the office of the Secretary of State of Indiana on January 25, 1911.

A statement of the assets and liabilities of the company, as of June 30, 1912, is shown as follows:

Ledger Assets

Mortgage loans	$301,371 00
Book value of bonds	322,787 63
Cash in office	1,000 00
Deposited in trust companies and banks (not on interest)	25,534 48
Certificate of deposit on interest	110,005 62
Premiums in course of collection	73,134 42
Total ledger assets	$833,833 15

Non-Ledger Assets

Accrued interest on mortgages	$3,979 16	
Accrued interest on bonds	1,897 24	
Accrued interest on bank deposits	4,119 85	
		9,996 25
Gross assets		$843,829 40

Deduct Assets Not Admitted

Premiums in course of collection written prior to April 1, 1912	$3,948 16	
Book value of bonds over market value	2,835 00	
		$6,783 16
Total admitted assets		$837,046 24

Liabilities

Unpaid claims:	
Accident, commercial	$4,900 43
Accident, industrial	3,881 12
Health	221 85
Plate glass	693 59
Burglary and theft	450 00
Auto property damage	1,150 75
Workmen's collective	680 00
Total	$11,977 74
Special reserve for unpaid liability losses	17,356 11
Total unpaid claims	$29,333 85
Unearned premiums, one year or less	104,122 38
Unearned premiums, term	4,513 92
Commissions	19,700 77
Bills due or accrued	206 57
State taxes on premiums (estimated)	2,350 00
Personal property tax, Indiana	1,590 00
Return premiums	1,101 94
Advance premiums	2,112 62
Premium on over issue of capital stock (estimated)	1,500 00
Total liabilities except capital	$166,532 05

Capital stock	$601,492 50	
Surplus over all liabilities	69,021 69	
		670,514 19
Total liabilities		$837,046 24

Treatment of Policyholders

An examination was made of the paid losses to ascertain whether the policyholders had received the amounts due on their claims under their policy contracts. The claims of the policyholders seem to be satisfactorily settled and there is no evidence to show that the policyholders are not being fairly treated.

States Entered

The company is authorized to transact business in the following states: Alabama, Arizona, California, Colorado, Idaho, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Mexico, North Carolina, North Dakota,

Ohio, Oregon, Pennsylvania, Tennessee, Washington, Wisconsin, Wyoming.

Officers

The officers of the corporation are:

President	Elias J. Jacoby,
Vice-President	Preston C. Rubush,
Treasurer	Edgar O. Hunter,
Secretary	Walton L. Dynes,
Manager	Thomas Bloomfield.

ROYAL INDEMNITY COMPANY

New York, N. Y.

Examination as of December 31, 1912.

Purpose: Verifying payment of $250,000 *into surplus by the Royal Insurance Company of Liverpool, England.*

Report dated December 31, 1912.

Examiner: Wilbur F. German.

SOUTHWESTERN SURETY COMPANY

Denison, Oklahoma

Joint Examination by the states of Oklahoma, Kentucky, New York and Tennessee on condition as of March 31, 1913.

Report dated May 26, 1913.

Examiners: Arthur W. Pettit, for Oklahoma; C. F. Thomas, for Kentucky; John L. Train, for New York; C. M. Joseph for Tennessee.

Under its charter the company is authorized to transact Surety and Fidelity, Accident and Health, Liability, Burglary and Theft, Plate Glass, and Automobile Property Damage and Collision Insurance.

History

This company was incorporated under the laws of the State of Oklahoma on November 15, 1909, and the charter at that time provided that the principal office should be located at Durant, Oklahoma. By an amendment to its charter under date of December 20, 1912, it was provided that the principal office of

the company should be located, and its general business conducted, at Denison, Oklahoma, the postoffice address being Colbert, Okla. It was also provided that the company should establish and maintain a place of business in the city of Denison, Texas. However, all of the general business of the company is transacted from Denison, Texas, and this examination was conducted entirely in the State of Texas.

At the time of incorporation the authorized capital stock of the company was $1,000,000, divided into one hundred thousand shares of the par value of $10 each. In January, 1912, the stockholders recommended that the amount of the authorized capital stock be reduced to "not less than $575,000 if possible." On April 30, 1912, the capital stock paid in full amounted to $542,525 and such amount constitutes the present outstanding capital stock of the company. The company has issued no stock since February, 1912.

On February 27, 1912, the charter of the company was amended to provide that the amount of the capital stock should be the sum of $542,525, divided into 54,252½ shares of the par value of $10 each. The capital stock of the company was sold through S. H. Boynton, under contract made with the organization committee of the company. This contract provided that the stock should be divided into series to net the company from $15 to $20 per share and that any excess over this price should be paid to the promoter. The actual amount of surplus turned into the treasury of the company, as a result of the sale of the capital stock, amounted to $407,469.25. The present capital stock of the company is $542,525, and the surplus found as a result of this examination amounts to $142,033.32. The company transacts business in twenty-eight states and the District of Columbia.

On January 5, 1912, the company declared a dividend of 8 per cent. on its capital stock, the total amount paid being $42,-655.60. It is very questionable whether the financial condition of the company at that date justified the declaration of a dividend. From this examination we are convinced that the company did not earn the amount of the dividend paid. Under the laws of the State of Oklahoma, the company cannot pay dividends except from surplus profits earned from the business.

We find the financial condition of the company as of March 31, 1913 to have been as follows:

Ledger Assets

Book value of real estate		$50,550 00
Mortgage loans		488,638 00
Oklahoma State warrants		292,760 45
Bonds		297,264 17
Cash in company's office	$5,900 23	
Deposit in trust companies not on interest	12,774 50	
Deposit in trust companies on interest	11,516 99	
		30,191 72

Premiums in course of collection:

	On policies or renewals after Jan. 1st, 1913	On policies prior to Jan. 1st, 1913	
Accident	$7,741 64	$1,018 10	
Health	2,955 79	100 05	
Liability	113,000 18	29,835 86	
Fidelity	25,349 69	12,659 99	
Surety	29,178 11	12,039 22	
Plate glass	7,990 67	2,638 28	
Burglary	6,012 79	446 91	
Auto property damage	8,063 37	2,171 49	
Workmen's collective	5,062 88	100 00	
Totals	$205,355 12	$61,009 90	266,365 02
Bills receivable			3,082 22
Municipal warrants, city of Sapulpa			60 00
Deposit in Surety Association of America			250 00
Due from agents' sundry accounts			1,327 17
New York Excise Reinsurance Bureau			6,883 00
Ledger assets as per balance			$1,437,371 75

Non-Ledger Assets

Interest due, $4,053.45, and accrued, $8,963.99, on mortgage loans	$13,017 44	
Interest accrued on bonds	4,498 19	
Interest accrued on Oklahoma State warrants	37,893 70	
Interest accrued on bank balances	2 50	
Rents due, $127.50, and accrued, $5	132 50	
Dividend due from receivers, Farmers & Merchants' Insurance Company, Omaha, Neb	2,683 92	
Estimate due on work completed at Hot Springs, Arkansas	8,773 66	
		67,001 91
Gross assets		$1,504,373 66

Deduct Assets Not Admitted

Bills receivable	$4,659 39	
Premiums in course of collection prior to January 1, 1913	61,009 90	
Book value of bonds over market value	1,566 25	
		$67,235 54
Admitted assets		$1,437,138 12

Liabilities

Losses and claims:		
Accident and health	$6,098 57	
Fidelity	61,644 62	
Surety	134,879 77	
Plate glass	3,828 59	
Burglary	1,133 48	
Auto property damage	6,037 30	
Workmen's collective	3,632 14	
Total	$217,254 47	
Special reserve for unpaid liability losses	68,377 40	
Total unpaid losses		$285,631 87
Gross premiums, one year, $643,779.75; unearned premiums on same	$332,075 78	
Gross premiums, more than one year, $50,568.67; unearned premiums on same	$35,159 04	
Total unearned premiums		367,234 82
Commissions due agents:		
Accident	$2,554 74	
Health	975 41	
Liability	31,753 05	
Fidelity	7,224 66	
Surety	8,315 76	
Plate glass	2,565 00	
Burglary	1,845 93	
Auto property damage	2,265 81	
Workmen's collective	1,422 67	
Total		58,923 03
Salaries, rents and bills due		2,955 23
Estimate for taxes		11,869 32
Return premiums, $19,610, less commissions, $5,606.04		14,004 75
Reinsurance, $11,844.48, less commissions, $3,553.34		8,291 14
Advance premiums		3,669 64
Total amount of liabilities, except capital		$752,579 80

Capital paid up in cash	$542,525 00	
Surplus over liabilities	142,033 32	
Surplus to policyholders		$684,558 32
Total liabilities		$1,437,138 12

Business by Departments

The company divides its business into three general departments, viz: Bonding, Liability and Casualty and the business relating to these various departments will be discussed under these different heads.

The percentage of each class of business written during 1913 to the total premiums written is shown as follows:

Class of business	Percentages
Accident	2½
Health	1
Liability	54½
Fidelity	11½
Surety	17
Plate glass	3½
Burglary and theft	2½
Auto property damage	3½
Workmen's collective	4
	100%

1. *Bond Department*

In this department is included the fidelity and surety business. The following is a statement of the premiums written and losses paid in these classes of business by years from January 1, 1910, to March 31, 1913.

Surety

Year	Premiums written	Losses paid
1910	$69,417 29	
1911	97,841 79	$7,113 42
1912	152,194 80	49,112 84
1913	43,795 53	60,234 84
Totals	$363,249 41	$116,461 10

Unearned	$109,267 95	
Earned	$253,981 46	
Unpaid losses		$134,879 77
Total losses		$251,340 87

Ratio of losses to premiums, 98%.

Fidelity

Year	Premiums written	Losses paid
1910	$28,386 19	.....
1911	54,596 81	$120 02
1912	84,847 70	7,128 08
1913	30,309 53	6,116 80
Totals	$198,140 23	$13,364 90
Unearned	53,000 71	
Earned	$145,139 52	
Unpaid losses		61,644 62
Total		$75.009 52

Ratio of losses to premiums, 51%.

It will be noted from the above table that the actual losses paid in the surety business for the first three months of 1913 exceeds the amount of premiums written. The company explains that the abnormal amount of loss payments compared with the premiums written is caused by the fact that the claim department is now making a thorough investigation of the bonds in force and outstanding claims and that the liabilities resulting therefrom are being terminated as rapidly as consistent with the nature of the business.

Our investigation of the outstanding claims indicates that the underwriting during the early history of the company has been responsible for the greater portion of the paid and incurred losses, the result being shown by the loss ratio of 98 per cent. in the surety business.

In 1912, a change was made in the management of this department and it is believed that the underwriting of the company as to fidelity and surety bonds is now on a more conservative and careful basis and one of the problems of the company at this time seems to be to take care of the inefficient underwriting that oc-

curred prior to the change in management. For instance, during the early history of the company, there was written a large number of Indian guardian bonds in the State of Oklahoma. Numerous losses have been incurred under such bonds and at this time the company is employing two men to make a thorough investigation of all the bonds of this class now in force. Unquestionably the result of such investigation will be that losses to a considerable amount will be found to have occurred and must be met from the present assets of the company. In a surety company, the results of inefficient underwriting do not mature for an extended period after the bond is written. Inasmuch as in most cases the company is unable to cancel its bond, contracts of this nature cannot be easily terminated.

The large decrease in the surplus of the company from January 1, 1911 to March 31, 1913, has been caused mainly by underwriting losses in this department. The following underwriting gain and loss exhibit will show the underwriting loss for the year 1912 and for the three months ending March 31, 1913.

Bond Department

Including Fidelity and Surety business from January 1, 1912, to December 31, 1912:

Underwriting income earned		$160,062 75
Losses incurred	$165,104 73	
Underwriting expenses incurred	121,345 06	
		286,449 79
Underwriting loss		$126,387 04

From January 1, 1913, to March 31, 1913

Underwriting income earned		$52,993 44
Losses incurred	$141,304 96	
Underwriting expenses	36,520 70	
Total		177,825 66
Underwriting loss		$124,832 22
Total underwriting losses for the fifteen months from January 1, 1912, to March 31, 1913		$251,219 26

The largest outstanding claim on a fidelity bond occurred under a bond issued by the company in the sum of $200,000.

From an investigation of the bonds now in force, we find but one bond in force for an amount exceeding 10 per cent. of the capital and surplus of the company when issued. The company in October, 1912, issued a contract bond for $111,825 covering a contract in Philadelphia, Pa. The company has had a dispute regarding reinsurance on this bond with another surety company, whose agent first agreed in writing to accept reinsurance for 50 per cent. of the amount of the bond, but such reinsurance was later rejected by the home office of the company. The principal in the bond is a contractor, who defaulted in a number of contracts with the Federal Government, such defaults costing a surety company of New York city losses estimated at $75,000. These losses occurred prior to the issuance of this bond. Further this company has already suffered a loss on another bond covering this same contractor. The underwriting of these bonds shows inefficiency and gross negligence on the part of the party responsible.

2. *Liability Department*

In this department is included all classes of liability insurance, workmen's collective and automobile and teams property damage. The following is a statement showing the premiums written by the company on liability business from January 1, 1910 to March 31, 1913 and also a separate statement by three months periods from January 1, 1912 to March 31, 1913.

Year	Premiums written
1910	$4,558 04
1911	76,763 37
1912	327,474 94
1913 (three months)	143,150 21
	$551,946 56

Period included	Premiums written
Jan. 1, 1912, to March 31, 1912	$49,197 34
April 1st to June 30, 1912	81,064 90
July 1st to Sept. 30, 1912	94,588 34
Oct. 1st to Dec. 31, 1912	139,310 67
Jan. 1st to March 31, 1913	155,749 98
	$519,911 23

In above statement return premiums and reinsurance are considered on a "written" basis.

The above tables will show that there has been a marked increase in the amount of liability business written. Every quarter shows an increase in this class of business.

During the course of this examination, we have made a comparison of the rates charged by this company on this class of business with the rates in the various manuals as promulgated by the Workmen's Compensation and Information Service Bureau. The rates as promulgated by this Bureau are to a large extent based upon the combined experience of a number of casualty companies writing this class of insurance. The comparison of the rates shows that this company is not securing manual rates on this class of business. The amount of discount allowed in the various states differs: in some of the states the company secures a rate probably equal to that secured by what is known as the Bureau companies; in others, there is no question but that the rates of this company are lower. In addition to this investigation covering the underwriting we have found that the commissions paid on the liability business are high. During the first three months of 1913, the commissons on this class of business amounted to 28.1 per cent. It is extremely doubtful whether the liabilty insurance written by this company can be made profitable if the company pays or continues to pay that rate of commission.

The company writes workmen's compensation insurance in the State of California only. The total premiums received from this business to March 31, 1913, amounts to $31,566.15 and the losses paid $5,086.13 and outstanding claims to $11,048.15. The claims on this business are investigated and adjusted by the general agents of the company for the State of California but reports on all claims are filed with the home office of the company.

The experience of the company on this class of business has been set forth under the discussion of the liability loss reserves. The gain and loss exhibits covering a period of fifteen months from January 1, 1912, to March 31, 1913, show a loss from underwriting of $39,206.95.

Liability Department

From January 1, 1912 to December 31, 1912 (including liability, workmen's collective, automobile and teams property damage).

Underwriting income earned		$238,206 30
Losses incurred	$128,536 39	
Underwriting expenses incurred	137,820 98	
Total		266,357 37
Underwriting loss 1912		$28,151 07

From January 1, 1913 to March 31, 1913.

Underwriting income earned		$124,344 05
Losses incurred	$78,000 24	
Underwriting expenses incurred	57,399 69	
Total		135,399 93
Underwriting loss		$11,055 88
Total underwriting loss for the fifteen months from January 1, 1912, to March 31, 1913		$39,206 95

The following is a statement of the experience of the company on the workmen's collective business.

Year	Premiums written	Losses paid
1910	.....	.....
1911	.....	.....
1912	$19,086 12	$5,484 86
1913	11,604 45	5,734 81
Totals	$30,690 57	$11,219 67
Unearned	2,199 16	
Earned	$28,491 41	
Unpaid losses		3,632 14
Total		$14,851 81

Ratio of losses to premium, 52%.

3. *Casualty Department*

This department includes the accident and health, plate glass and burglary business. Following are statements covering the premiums written and the losses paid in these separate lines of business for the period between January 1, 1910, and March 31, 1913:

Accident and Health

Year	Premiums written	Losses paid
1911	$1,755 86	$117 85
1912	29,218 16	1,681 66
1913	9,403 21	3,176 35
Totals	$40,377 23	$4,975 86
Unearned	14,932 94	
Earned	$25,444 29	
Unpaid losses		6,098 57
Total losses		$21,074 43

Ratio of losses to premiums, 83%.

Burglary

Year	Premiums written	Losses paid
1910	$2,037 50	$963 74
1911	2,967 83	3,387 70
1912	12,416 29	8,696 80
1913	6,552 77	1,641 58
Totals	$23,974 39	$14,689 82
Unearned	8,850 19	
Earned	$15,124 20	
Unpaid losses		1,133 48
Total losses		$15,823 30

Ratio of losses to premiums, 104%.

Plate Glass

Year	Premiums written	Losses paid
1910	$6,182 85	$845 95
1911	15,997 91	5,882 90
1912	32,370 77	10,429 78
1913	8,476 88	3,421 52
Totals	$63,028 41	$20,580 15

Unearned	$15,723 15	
Earned	$47,305 26	
Unpaid losses		$3,828 59
Total losses		$24,408 74

Ratio of losses to premiums, 51%.

It will be noted that the total amount of business written in these various classes represents but ten per cent. of the total amount of the business written by the company.

The company is now making efforts to increase the volume of this business because it is evident that with such a small volume of business in these departments the overhead charges will consume any possible profit.

The following statement will show that the total underwriting loss for the period between January 1, 1911 to March 31, 1913 amounts to $47,106.72.

Casualty Department

(Including accident, health, plate glass and burglary business), from January 1, 1912 to December 31, 1912.

Underwriting income earned		$44,896 02
Losses incurred	$33,859 06	
Underwriting expense incurred	46,211 29	
Total		80,070 35
Underwriting loss, 1912		$35,174 33

From January 1, 1913, *to March* 31, 1913

Underwriting income earned		$17,690 36
Losses incurred	$16,189 28	
Underwriting expenses incurred	13,433 47	
Total		29,622 75
Underwriting loss		$11,932 39
Total underwriting loss for the fifteen months from January 1, 1912, to March 31, 1913		$47,106 72

Surplus

Since the organization of the company in 1910, there has been a marked decrease in the surplus paid in at that time by the

stockholders. The following is a resume of the surplus shown by the statements of the company at various periods:

December 31, 1910	$321,516 29
December 31, 1911	436,578 64
December 31, 1912	275,532 61
March 31, 1913 (as shown by examination)	142,033 30

The following gain and loss exhibits will show the experience of the company for the year 1912, and the first three months of 1913:

Gain and Loss Exhibit, 1912

Underwriting

Underwriting income earned		$443,165 07
Losses incurred	$327,500 18	
Expenses incurred	305,377 33	
Total		632,877 51
Underwriting loss		$189,712 44

Investment

Income earned	$70,513 86	
Expenses	15,282 35	
Gain from investments		55,231 51
Balance		$134,480 93
Surplus paid in 1912	$16,090 50	
Dividends paid in 1912	42,655 60	
Difference		26,565 10
Decrease in surplus, 1912		$161,046 03

Gain and Loss Exhibit — *First Three Months of 1913*

Underwriting

Underwriting income earned		$195,027 85
Losses incurred	$235,494 48	
Expenses incurred	107,353 86	
Total		342,848 34
Underwriting loss		$147,820 49

	Investment
Gain from investments 1913	$14,321 20
Decrease in surplus 1913	$133,499 29

Summary

From the detailed experience of the company as set forth before in this report, it seems clear that the greater part of the decrease in surplus has been caused by the underwriting in the fidelity and surety department.

We believe that this department is now on a firmer basis as to both underwriting and the investigation and settlement of claims.

However, in view of the present surplus of the company, we suggest that the rapid increase in the amount of liability business written be curtailed. This class of business should be carefully selected. Careful selection of risks is much more important than volume, especially in view of the fact that the company has reduced its rates to some extent, at least from the manual and is paying a high rate of commission on the business. Further the reinsurance reserve on a rapidly increasing business will reduce the amount of surplus, and it is certain that safety requires a surplus at least equal to that shown by this examination.

Real Estate Title and Mortgage Companies

HOME TITLE INSURANCE COMPANY OF NEW YORK

BROOKLYN, N. Y.

Examination on increase of capital.
Report dated June 6, 1913.
Examiner: Jesse Bacharach.

January 2, 1912, stockholders authorized increase of capital from $250,000 to $500,000, stock representing increase to be sold at $200 per share, par value $100. December 31, 1912, paid in capital had been increased to $387,400.

May 29, 1913, paid in capital had been increased to $417,000.

LAWYERS' WESTCHESTER MORTGAGE AND TITLE COMPANY

WHITE PLAINS, N. Y.

Examination on increase of capital.
Date of report, September 3, 1912.
Examiner: Isaac Fuld.

This examination shows that on December 31, 1911, the company had completed the increase of its capital stock from $250,000 to $325,000.

NATIONAL BOND AND MORTGAGE COMPANY

NEW YORK, N. Y.

Examination as of October 7, 1912.
On verification of payment of 10 *per cent. of subscribed capital stock.*
Report dated October 7, 1912.
Examiner: J. F. Tucker.
Examination as of November 6, 1912.
On verification of payment of one-third of capital stock.
Report dated November 6, 1912.
Examiner: J. F. Tucker.

QUEENS COUNTY MORTGAGE COMPANY

JAMAICA, N. Y.

Examination on increase of capital.
Date of report, September 3, 1912.
Examiner: Isaac Fuld.

This examination shows that on December 31, 1911, the company had completed the increase of its capital stock from $200,000 to $300,000.

Co-operative Life and Accident Associations

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COLUMBIAN PROTECTIVE ASSOCIATION

Binghamton, N. Y.

Examination on condition as of December 31, 1912.
Report dated February 5, 1913.
Examiners: Clarence J. Norton and Wilbur F. German.

	Ledger Assets		
Book value of bonds		$47,168 01	
Mortgage loans on real estate		28,900 00	
Cash in bank	$996 41		
Cash in office	690 50		
		1,686 91	
Cash in Binghamton Trust Company in process of liquidation (balance due)		2,867 37	
Agents' balances		241 66	
Total ledger assets			$80,863 95
	Non-Ledger Assets		
Interest accrued		$1,048 72	
Assessments in course of collection not over thirty days due, less commissions		1,791 84	
Total non-ledger assets			2,840 56
Gross assets			$83,704 51
	Deduct Assets Not Admitted		
Agents' debit balances		$241 66	
Book value of bonds over market value		511 13	
Balance due from Binghamton Trust Company.		2,867 37	
			3,620 16
Total admitted assets			$80,084 35
	Liabilities		
Death claims, reported and adjusted		$170 00	
Disability claims, reported not yet adjusted		310 00	
Commissions to agents due and accrued		125 00	
Assessments paid in advance		529 00	

American Fraternal Association dividend checks refused (1912 dividend settlement)..	$412 80	
Dividends due Columbian Protective Association members in 1912 paid in January, 1913.	2,182 41	
Officers' salaries due.....	1,350 00	
Miscellaneous accounts due.....	455 81	
Reserve or emergency fund under section 205.	4,175 17	
Trust fund, being amount of expenses charged against dividend certificates of the American Fraternal Association maturing in 1912, held in suspense.....	5,887 75	
Total liabilities		$15,597 94
Excess of assets over liabilities.....		$64,486 41

A statement of income and disbursements from January 1, 1912 to December 31, 1912, inclusive, is as follows:

Balance ledger assets December 31, 1911.....		$99,329 93
Income		
Assessments (all classes)	$53,192 79	
Interest	5,022 86	
Loans to policyholders deducted from dividends.	4,906 66	
Agents' balances previously charged off.....	8 00	
Total income		63,130 31
Total		$162,460 24
Disbursements		
Death claims $4,241 84		
Disability loans and claims..... 11,045 66		
Dividends to members 41,995 59		
Total paid to members.....	$57,283 09	
Management expenses	23,066 77	
Deposited with J. F. Scragg, attorney, as security for costs in cases on appeal.....	1,200 00	
Loss on sales of bonds.....	46 43	
Total disbursements		81,596 29
Balance (ledger assets)		$80,863 95

Organization and Plans of Insurance

This association was incorporated originally with the name of "American Protective Association," but on April 23, 1907, the name was changed to "Columbian Protective Association," and the home office was removed from Brooklyn to Binghamton, New York.

At present this association is writing four classes of certificates, known as "Class A-I," "Class B new," "Class C" and "Class D."

Class A-I:

This is an accident certificate intended to cover mercantile and professional risks, such as merchants, dentists, insurance men, attorneys, teachers, physicians, commercial travelers, ministers and bankers. Male members only, between the ages of 18 and 50 years, are admitted in this class. The contract provides the following benefits:

Weekly indemnity for total temporary disability (limit 26 weeks)	$25 00 weekly
Partial temporary disability (limit 5 weeks)	10 00 weekly
Accidental death	2,000 00

The cost of this certificate is a membership fee of $2 and an annual premium of $12, payable annually, semi-annually or quarterly.

Class B new. Life, Health and Accident Certificate:

The association began issuing this certificate November 20, 1912, and there were at the end of the year 385 certificates in force on this plan. They are issued to men between 18 and 60 years of age, and women between 18 and 50. These certificates provide benefits in the event of accident from date of issuance, and sick and death benefits only after the certificate has been in force two months. Disability benefits are limited to ten weeks in one year, but death benefits are in no way restricted or reduced by reason of the member having previously received disability benefits. Change of occupation does not affect the validity of certificates nor any benefits mentioned therein.

The cost and benefits of this certificate are shown in the following table:

Cost per month	Sick or accident benefit per week	Death benefit
$1 00	$7 00	$100 00
2 00	14 00	200 00

Fifty per cent. additional premium for men between 50 and 55 years of age is charged and 100 per cent. for men between 55 and 60 years.

Class C:

Class C is a classified liability certificate covering both health and accident with specific indemnity for certain injuries. A copy of this form of certificate and the association's manual of rates are on file with this department. This form was issued beginning January 1, 1912, and on December 31st, 701 certificates were in force.

Class D:

This is a special life certificate providing for natural death benefits exclusively, the maximum amount of insurance issued to any one person being $2,000. Medical examination is required, the fee being paid by the association.

The benefits provided in this form of certificate are graded according to age on the basis of $1 monthly premium, or issued on the basis of $1,000 face value, the rates of premium being stipulated according to the age at issue.

An illustration of the benefits paid according to age at $1 per month, under the first plan, and of the regular rates per $1,000 of insurance, under the second plan, is as follows:

FIRST PLAN:		SECOND PLAN:				
Age	Amount of insurance	Age	Annual	Semi-Annual	Quarterly	Monthly
18–19	$1,000	20	$12 42	$6 46	$3 30	$1 15
20	985	25	13 92	7 25	3 69	1 28
25	900	30	15 99	8 25	4 20	1 45
30	765	35	18 34	9 56	4 86	1 68
35	640	40	21 68	11 24	5 75	1 99
40	530					

No certificates have yet been issued in this class.

Dividends

In 1907 this association began writing policies on the five-year dividend endowment plan, the members being entitled to participate in the surplus at the end of such period.

The dividends on certificates maturing in 1912 and 1913 were based on computations made by this department at the request of the association.

The following tabulation shows the method of arriving at the dividends in the class maturing 1913:

Monthly assessments	Certificates in force	Amount paid by each member	Total
$0 50	2	$30 00	$60 00
1 00	72	60 00	4,320 00
2 00	303	120 00	36,360 00
Total contributions			$40,740 00
Gain from lapses			15,471 00
Interest on investments			2,481 40
Interest on disability loans not in excess of dividends			457 35
Donation from trustees (1908) apportioned to this class			255 22
Total income			$59,404 97

Disbursements

Expenses	$19,530 09	
Loans on lapsed policies	4,263 50	
Death claims	2,604 72	
Estimated death losses for 1913	2,000 00	
Estimated disability loans for 1913 and loans occurring prior, in excess of dividends	150 00	
Loss of investments (estimated)	1,000 00	
Proportion of trust fund created in 1912 on account of expenses in carrying certificates of American Fraternal Association	1,498 21	
Proportion of trust fund created in 1913 on account of expenses in carrying certificates of American Fraternal Association expiring in 1913	652 38	
Expenses overcharged National Fraternal League 1912	298 33	
Expenses overcharged National Fraternal League 1913	83 62	
Total disbursements		32,080 85
Amount to be distributed		$27,324 12

There being 679 certificates, on a $1 basis, maturing in 1913 the dividend is therefore,

On $0.50 per month certificates	$20 12
On 1.00 per month certificates	40 24
On 2.00 per month certificates	80 48

American Fraternal Association

In January, 1910, the certificates of the American Fraternal Association of Honesdale, Pa., were reinsured by the Columbian Protective Association. The former was organized in 1907 under the laws of the State of Pennsylvania, and issued exclusively five-year dividend endowment certificates which began to mature in the year 1912. No assets were turned over to the Columbian to carry out the terms of the reinsurance, it being represented that there were none. However, it has since been established that the association did have assets on hand at that time, aggregating approximately $16,000 to $20,000, face value, and that the same were converted to the use of certain former officers as a commission for obtaining the reinsurance. It seems that subsequently a movement was started to recover such assets, or their equivalent, upon the ground that they were obtained through fraud, and after certain pressure was brought to bear a former president deposited with a trustee in the State of Pennsylvania the amount of $20,000 in cash and securities, face value, under a written agreement which, we are informed, provided substantially that the said assets should be used for the benefit of the members, in the event the Columbian Protective Association was held, after suit had been brought, not liable to pay the dividends which should be paid to such members from contributions received from them prior to reinsurance. We find that several suits have been brought and are about to be tried in the courts of Pennsylvania to test this matter, and that the Pennsylvania Insurance Department has obtained an order from a court of competent jurisdiction by which it is authorized to take possession of the assets and affairs of this association in the State of Pennsylvania. We are informed that the cash and securities held by the trustee have not yet been turned over to the Pennsylvania department. If it is successful in obtaining possession of same, it is probable that it will be distributed to the members

entitled thereto in the form of an extra dividend. In this event the amount received by them will be larger than was at first expected.

The question as to the liability of the Columbian Protective Association with regard to the dividends computed on contributions made by the members prior to reinsurance, under the terms of the contract entered into, is yet to be decided, but it is the opinion of your examiners that it ought not to be held liable for such dividends, in view of all the circumstances and the premises on which the certificate contracts were based. If the members have any redress it ought to be against those officers whom they elected and who were unfaithful to their trusts. The details of the transactions involved in the above reinsurance are given in a former report of this department, dated May 6, 1912.

The dividends which have been computed to be paid on certificates of the American Fraternal Association which mature the first six months of 1913, based upon contributions received only since reinsurance, have been calculated according to the following statement:

Income		
Credit January 1, 1911	$733 08	
Contributions, 1911 and 1912	2,005 00	
Future contributions to mature certificates	119 00	
Gain from lapses (1911 and 1912)	26 00	
Loans prior to reinsurance exceeding loss	20 00	
Total income		$2,903 08
Disbursements		
Expenses, 35 per cent. contributions during 1911 and 1912 and future contributions	$743 40	
Disability loans over amount of dividends and estimate for future death claims	400 00	
Total disbursements		1,143 40
Amount to be distributed		$1,759 68

As there are eighty-two certificates on a $1 basis the dividend is therefore:

On $1.00 certificates	$21 46
On 2.00 certificates	42 92
On 4.00 certificates	85 84

National Fraternal League

In 1910 this association reinsured the certificate contracts of the National Fraternal League of Bradford, Pa., which contracts also provide for a five-year cash dividend distribution. Under date of April 24, 1912 the counsel of this department gave an opinion to the effect that the Columbian Protective Association should be permitted to charge the members of the National Fraternal League, for expense in carrying their certificates, only the actual cost thereof. This cost has been estimated to be 20 per cent. of the contributions. We have therefore charged the difference between 20 per cent. and 35 per cent., the ratio of expense charged against certificates of the Columbian's dividend members, pro rata among all the latter in force January 1, 1913, as follows:

Maturity date	No. of certificates in force on $1.00 basis	Amount to be charged
1913	679	$83 62
1914	646	79 54
1915	594	73 16
		$236 32

The dividend payable on certificates of members of the National Fraternal League maturing in 1913 is computed as follows:

Number of policies in force		Contributions	Dues	Future Contributions
No. 1	6	202	$6 00	$25 00
No. 2	18	1,210	20 50	112 00
	24	1,412	$26 50	$137 00

Income

Total contributions	$1,575 50
Share in mortgage loan taken over at time of reinsurance	390 00
Loans made prior to reinsurance less than dividends	10 00
Total	$1,975 50

Disbursements

Expenses, 20 per cent. of contributions.....	$315 10	
Estimated death and disability loans for 1913.	300 00	
Total disbursements		$615 10
Amount to be distributed.....		$1,360 40

Number of $1.00 certificates — 42.
Dividend is therefore

$1.00 certificates	$32 39
2.00 certificates	64 78

Liabilities

Trust Fund.—The trust fund, viz.: $5,887.75, carried as a liability represents the association's liability either to the certificate holders of the American Fraternal Association or those on the dividend plan of the Columbian Protective Association whose certificates matured during 1912. The management claims the right to charge the members of the American Fraternal Association the same ratio of expense as it charges its own members, but some of the members of the American Fraternal Association hold that the Columbian Protective Association can not legally charge such members anything for expense. A trust fund was therefore created to be held in suspense until the question has been decided by means of the litigation already started.

Hence, it becomes necessary to add to this fund the additional amount to represent the expenses charged against the members of the American Fraternal Association, whose certificates mature during 1913, which is as follows:

Expense to be charged on certificates maturing between Jan. 1st and July 1st, 1913.....	$743 40
Expense to be charged on certificates maturing between July 1, 1913, and Jan 1, 1914.....	1,100 40
Total	$1,843 80

This amount should be apportioned and charged against all the dividend certificates of the Columbian Protective Association, which mature as follows:

Year	No. Certificates in force on $1.00 basis	Amount to be charged
1913	679	$652 38
1914	646	620 69
1915	594	570 73
	1,919	$1,843 80

Expense of Management

The expense of management of the Columbian Protective Association for the year ending December 31, 1912, as shown in the financial statement of this report, is about 45½ per cent. of the total income from members. This does not include accrued bills and accounts incurred but not actually paid during the said year. It does take into account, however, corresponding items incurred the year previous but paid in 1912.

Section 207 of the Insurance Law limits associations operating under article VI to 35 per cent. of the income actually received from members for expenses of management, but another section provides that such limitation shall not apply "to the casualty department of any casualty insurance corporation, association or society upon the assessment plan." The management of this association contends that the expenses for the said year in excess of 35 per cent. have been incurred in writing its casualty certificates. In deference to this contention we would state that if the cost of acquiring new business and the salaries paid to managers and agents were eliminated the expenses of management would not exceed 35 per cent. As nearly all the business written during the year has been on the casualty plan, it is evident that the expenses in excess of the stated percentage was incurred in the casualty department.

However, in computing the dividends payable to participating certificate holders of the Columbian and the American Fraternal, we have charged only 35 per cent. of the contributions of such members for expenses in the year 1912, and the same rate in estimating the expenses on contributions to be received in 1913.

As these certificates are practically on a life insurance basis, in our opinion, they fall within the 35 per cent. limitation, and the dividends have been calculated accordingly, except that as we have deducted only 20 per cent. of the contributions of the National Fraternal, as above explained, we have added the difference between 20 per cent. and 35 per cent. thereof to be also deducted from all other dividend certificates in force January 1, 1913.

Renewal of Dividend Certificates.

Although under the present law no more five year cash dividend certificates can be issued, the management claims the right to renew certificates on this plan, if members so desire. However, it has agreed with this department to exert all possible means to terminate this kind of business. In this connection, in examining correspondence, we find many members do not know when they have paid the last assessment to mature their certificates until they receive the dividend thereon. By that time they have paid in at least one assessment on a new period. In certain of such cases we find that members have demanded the return of same, but this has been refused, the claim being that these members have been under benefit for the time elapsed and such benefit would have been paid had claims arisen. To obviate this misunderstanding we would recommend that notices be sent to members at least thirty days before their certificates mature, informing them thereof and advising them of their right to continue under this plan, if they so desire.

Assessment Receipts

Certain recommendations were made by your examiners which the management has agreed to follow, concerning the crediting of assessments received at the home office. If the recommendations are carried out, all assessments entered on the cash book will be posted to the membership register with the date of payment of each properly indicated. This will materially aid an examiner or auditor in seeking to verify the income received on this account as shown by the cash book. Under the method now in force this is exceedingly difficult, if not impossible.

Certificates in Force

The total number of certificates in force on December 31, 1912 was 3,113, of which 1,181 are on the five-year dividend plan.

DEWITT CLINTON READY RELIEF ASSOCIATION

BROOKLYN, N. Y.

Examination on condition as of November 30, 1912.
Report dated December 9, 1912.
Examiner: J. F. Tucker.

Ledger Assets

Cash in bank	$1,146 73	
Cash in hands of treasurer	48 84	
Cash in hands of secretary	61 13	
Total ledger assets		$1,256 70

Liabilities

Reserve required by section 205 of the Insurance Law	1,762 38
Excess of liabilities over assets	$505 68

The following is a statement of income and disbursements from January 1 to November 30, 1912, inclusive:

Income

Assessments and fees, etc	$3,895 01
Interest on bank deposits	14 46
Total income	$3,909 47
Ledger assets December 31, 1911	1,527 98
Total	$5,437 45

Disbursements

Death claims (8)	$4,000 00	
Management expenses	180 75	
Total disbursements		4,180 75
Balance November 30, 1912		$1,256 70

Assets

The cash in bank was verified by a certificate obtained from the Brooklyn Trust Company, in which the funds of the association are deposited, and a reconciliation made with the check book. The cash in the hands of the Treasurer was deposited, according to the bank pass book, on December 4th. Of the cash in the hands of the Secretary, $18.47 represents a portion of the last assessment collected and not turned over to the Treasurer on November 30th. The Secretary wrote a check, payable to the Treasurer, for this amount on December 5th. The balance in the hands of the Secretary, $42.66, covers fines, fees for certificate changes, payments by new members, etc., which the Secretary states he does not turn over to the Treasurer until the end of the fiscal year. Article VI, section 2, of the by-laws, covering duties of the Secretary, reads as follows:

> He shall receive all moneys of the Association and turn over same to the Treasurer at least once a month, taking a receipt for same.

It would seem, therefore, that the Secretary's custom of holding the cash representing the above items is not strictly in accordance with the by-laws.

Liabilities

The reserve required by section 205 of the Insurance Law, or the amount of one full assessment, is shown by the foregoing financial statement to be $505.68 more than the total assets. The said section requires that such impairment shall not be allowed to exist more than six months, but shall be made up and returned to the fund within that period. The trustees should bear this in mind when considering the calling of another assessment.

Fees, Dues and Assessments

New members pay an application fee of one dollar each and also one-third of the amount of one full assessment at age of entry. The annual dues are one dollar and new members pay twenty-five cents per quarter for the unexpired part of the fiscal year, which ends December 31st.

Assessments are levied by order of the trustees as often as may be necessary to pay death claims incurred. Each member

is assessed according to age at entry. For example the rates at ages given are as follows:

Age		Age	
21	$3 00	38	$5 58
25	3 48	40	6 18
30	4 14	45	7 74
35	5 04	50	9 78

Two full assessments have been levied since January 1, 1912.

Membership and Benefits

An applicant for membership must be a member in good standing of the Royal Arcanum, must be between the ages of 21 and 50, and undergo an examination by a physician named by the trustees, and be elected by the trustees before such examination.

The present membership is 320 and the amount of insurance in force $160,000. The following table shows the number of members and amount of insurance on the dates indicated therein:

Date	Number members	Insurance inforce
December 31, 1908	335	$167,500
December 31, 1909	334	167,000
December 31, 1910	329	164,500
December 31, 1911	317	158,500
November 30, 1912	320	160,000

The average age at entry is thirty-eight and the average attained age of course much higher. Only by a substantial increase in membership, such increase to consist principally of young members, can the association hope to survive a death rate which will naturally increase rapidly in the near future.

Certificates are issued for $500 only.

Officers

With the exception of the Secretary, the officers receive no compensation for their services. The Secretary, who does practically all the clerical work of the association, receives thirty-five cents per year for each member in good standing. The Secretary and Treasurer are required to give bonds for $1,000 each. The officers are as follows:

President, John F. Chumasero.
Secretary, S. E. Kirkham.
Treasurer, E. F. Barnes.

GOLD AND STOCK LIFE INSURANCE ASSOCIATION

NEW YORK, N. Y.

Examinations on condition as of December 11, 1912.
Report dated, December 30, 1912.
Examiners: Clarence J. Norton and W. F. German.

Ledger Assets

Cash on deposit with the Western Union Telegraph Co.	$1,811 07	
Cash in office	54 40	
Book value of bonds	16,044 58	
Total ledger assets		$17,710 05

Non-Ledger Assets

Monthly dues in course of collection	$665 30	
Interest accrued on bonds	200 15	
Interest accrued on cash balance	16 67	
Increase in market value of bonds over book value, as per schedule attached	110 42	
Total non-ledger assets		992 54
Total assets		$18,702 59

Liabilities

Present value of death claims adjusted, in process of adjustment and those of which only notice has been received	$3,877 69	
Assessments paid in advance	9 60	
Reserve under section 205 of the New York Insurance Law	641 90	
Total liabilities		4,529 19
Excess of assets over liabilities		$14,173 40

A statement of income and disbursements from January 1, 1912, to December 11, 1912, inclusive, is as follows:

Income

Ledger assets December 31, 1911, per association's records...		$17,217 34
Membership fees and dues (net).....	$7,421 15	
Interest from all sources.....	749 90	
Total income		8,171 05
Total		$25,388 39

Disbursements

Death claims	$7,350 00	
Management expenses	328 34	
Total disbursements		7,678 34
Balance, ledger assets, December 11, 1912.....		$17,710 05

Organization and Plan of Insurance

This association was organized January 9, 1878, and, as hereinbefore stated, transacts the business of assessment life insurance under the provisions of article VI of the Insurance Law. It admits to membership persons of either sex, not less than twenty-one years nor more than forty-five years of age, who are employed in the telegraph, telephone or other electrical service. Members who leave such employment may continue their insurance thereafter.

Certificates issued prior to January 8, 1894, provide for a death benefit in the sum of $600; those issued on and after said date provide for the payment of $500. Upon the death of a member, after proofs of claim approved by the executive committee are filed, payment is made to the beneficiary in instalments of $50 per month. However, the executive committee has the power, under authority of the by-laws, to vary the time, number and amount of instalments payable, whenever circumstances render such action necessary.

Membership, Insurance and Rates

The total present membership is 1,140, and consists of 434 members holding $600 certificates, and 706 members holding $500 certificates, representing $613,400 insurance in force.

The assessment rates vary from 50 cents to $1 for each call. Members admitted prior to January 8, 1894, pay 60 cents per call; those admitted between January 8, 1894, and December 31, 1902, inclusive, 50 cents; and those admitted on and after January 1, 1903, the following rates, according to age at entry:

Between 21 and 30, 50 cents
Between 30 and 35, 60 cents
Between 35 and 40, 75 cents
Between 40 and 45, $1

Assessments, or so-called dues, are levied monthly and are due and payable on or before the last day thereof, without notice. Collectors are appointed by the executive committee, who serve without compensation. A majority of the members pay their dues through such collectors, who remit the same to the secretary at monthly or quarterly intervals.

Expense of Management

This association is operated at a very low expense ratio, the same being kept within 5 per cent. of the assessment receipts, as required by the by-laws. It has no salaried officers and the Western Union Telegraph Company assists the association materially by paying it 6 per cent. interest on the funds which are deposited with it, and also furnishes office space in its building in New York City free of charge.

Handing of Income —Accounting — Recommendations

The associations' officers are busily engaged throughout the business hours of the day with the affairs of the Western Union Telegraph Company. As a result, the system of accounting in use and the method of handling the cash are too primitive, and proper supervision thereof is somewhat neglected. We refer particularly to the methods of the secretary's department. The latter keeps no regular cash book. When assessments are paid in, they are entered to the credit of the members on the membership register, which record shows the monthly payments of each member, and at the end of certain periods the secretary turns over the cash received to the treasurer.

We find that the cash received in the secretary's department and the handling of the records coincident therewith is in charge of a clerk, who notifies the secretary from time to time of the amount received and the latter transfers the equivalent to such receipts to the treasurer by his personal check. It seems that some of the members pay their monthly dues through authorized collectors while others remit directly to the home office. In attempting to make a test check of the income from members, we examined the books of several collectors and found that certain books showed cash paid in the secretary's office on certain dates, whereas the secretary's membership register showed the same payments credited to the member as of earlier dates. This condition was brought to the attention of the secretary and his clerk, but no satisfactory explanation was given by them. It appears that the secretary's records are audited occasionally by men connected with the Western Union, but in making such audits those so engaged merely reconcile the items entered in the membership register with the amounts turns over to the treasurer, and no further inquiry is made.

It seems to your examiner, in view of the lack of explanation of the condition above mentioned, and also from the apparent irregularity of dates entered, that there is a discrepancy existing between the actual income and the credits shown on the secretary's records. The extent of same cannot be ascertained without an audit being made, which would require information as to the exact amount actually paid by members in a given period. There are no records at the home office through which such information can be obtained. It must be received through the collectors' books and from members direct.

We therefore recommend that a thorough audit be made by persons not connected with the secretary's office, and the result thereof be reported to this department within three months. We also recommend that the system be changed so that a regular cash book be installed and all receipts be entered therein as of the date received; that such entries shall correspond to the dates members are credited in the membership register, and that the cash book shall show all moneys paid over to the treasurer and be balanced once each month.

It is further recommended that where members are delinquent in the payment of their monthly dues beyond the time allowed by the by-laws, they shall actually forfeit their right to benefit, and that the constitution and by-laws be amended so as to provide for such members' reinstatement according to some standard method, to the end that promptness in paying premiums shall be preserved and no discrimination shall be shown among themselves.

Death Claims

The liability for death claims entered in this report is the discounted value of instalments due in future. We recommend that in cases where a beneficiary is paid in one amount, the future monthly instalments be discounted at a certain rate per cent. in lieu of deducting interest on the total amount payable for the full period, as is the association's present custom.

NATIONAL ACCIDENT SOCIETY

New York, N. Y.

Examination as of October 31, 1912.
Report dated December 12, 1912.
Chief examiner: John E. Diefendorf.

Ledger Assets

Bonds, book value	$43,272 46	
Stock, book value	6,350 00	
Cash in banks	5,801 89	
Cash items in office	669 46	
Furniture and fixtures	1,447 00	
Agents' balances	790 97	
Bills receivable	1,500 00	
Total ledger assets		$59,831 78

Non-ledger Assets

Interest accrued on bonds	$673 36	
Interest accrued on bank balances	12 49	
Total non-ledger assets		685 85
Gross assets		$60,517 63

Deduct Assets not admitted.

Book value of bonds over market value	$2,212 46	
Book value of stock over market value	150 00	
Cash items in office representing advances, disbursements, etc., not charged off	606 57	
Furniture and fixtures	1,447 00	
Agents' balances	790 97	
Bills receivable	1,500 00	
Total assets not admitted		$6,707 00
Total admitted assets		$53,810 63

Liabilities

Death claims, in suit	$3,000 00	
Indemnity claims in process of adjustment (estimated on average basis)	1,524 00	
Amount due agents	378 19	
Salaries and miscellaneous bills accrued	192 30	
Reserve under section 205, Insurance Law	8,487 00	
Assessments paid in advance	5,454 76	
Total liabilities		19,036 25
Excess of assets over liabilities		$34,774 38

A statement of the income and disbursements from January 1, 1912, to October 31, 1912, inc., is as follows:

Balance, ledger assets, December 31, 1911		$60,063 72

Income

Assessments and fees	$27,441 02	
Interest	2,203 35	
Total income		29,644 37
Total		$89,708 09

Disbursements

Claims:		
Sicks benefits	$2,437 62	
Accident benefits	5,650 39	

Total paid to members	$8,088 01	
Management expenses	21,784 96	
Net decrease of book value of bonds by amortization	3 34	
Total disbursements		$29,876 31
Balance, ledger assets, October 31, 1912		$59,831 78

Organization

This society was first incorporated in the year 1883 as a co-operative health and accident insurance organization. It began business in the year 1885 and is authorized at the present time to transact business in this State under the provisions of article VI of the Insurance Law. It also transacts business in six other States, to wit: Connecticut, Indiana, Illinois, Missouri, Pennsylvania and Vermont.

The society issues at the present time three general forms of certificates, designated "Preferred," "Excelsior" and "Riders'" policies, the latter being written in two separate classes.

The certificates now issued provide briefly as follows:

The "Preferred" policy provides weekly indemnities in the event of accident and sickness generally, with certain restrictions, and also certain specific benefits. It also provides for double indemnities where the insured is injured or killed while actually riding as a passenger in a place regularly provided for the transportation of passengers, etc.

The "Excelsior" policy provides for similar benefits and in addition, for the benefit of $100 in the event of natural death.

The "Riders'" policy provides indemnities for injuries received while riding as a passenger, etc., and for injuries received from other causes, such as the burning of a building, freezing, at the hands of a burglar or robber, etc.

Re-incorporation

On March 30, 1911, under and pursuant to the provisions of section 217 of the Insurance Law of this State, the society took preliminary steps to reincorporate as a stock casualty com-

pany with a capital stock of $100,000. The above mentioned section of the Insurance Law provides as follows:

"Any corporation incorporated under chapter one hundred and seventy-five of the laws of eighteen hundred and eighty-three and transacting business under this article is hereby authorized to reincorporate as a stock corporation under its existing corporate name, upon compliance with the provisions of article two of this chapter. Before the superintendent of insurance shall be required to file and record a certificate of such reincorporation, he shall be satisfied that the same has been approved by a majority vote of the members of the company present and voting at a meeting of the insured called to consider the same, of which meeting a written or printed notice shall have been mailed to each member who shall have been such for thirty days directed to his address appearing on the company's books, at least thirty days before the day fixed for such meeting. Upon such reincorporation said company shall be entitled to the assets and shall be subject to the existing liabilities of the present company, including all contracts, policies or certificates with its members and agreements between such members and the subscribers to any guaranty or reserve fund heretofore made or approved at an annual meeting of the members or which may be ratified at the meeting called to consider such reincorporation."

I am informed that nothing has been done to complete such reincorporation in the way of securing any of the required cash capital, and that no subscriptions for the purchase of the stock have been received, although a special agent has been employed for the purpose of disposing of said stock, either through a syndicate underwriting, or otherwise.

In connection with the plan to incorporate the following resolution was adopted at the annual meeting of the members held on February 13, 1912:

Whereas, on or about April 20, 1911, under and pursuant to the provisions of section 217, of the Insurance Laws of the State of New York, this association was duly reincorporated as a stock company, under the provisions of article 2 of said Insurance Law; and

Whereas, in the declaration of such reincorporation, and under and pursuant to the statute in such case made and provided, said stock company is and is to be subject to the existing liabilities of the present association, including all contracts, policies or certificates with its members, and to the same extent as though not reincorporated as a stock corporation, and is to and shall take over the assets and property of this association; and

Whereas, it is desirable that this association and its members shall, in consideration of the aforesaid assumption of liability by the stock company and to enable it to more fully carry out the said obligations and assumptions set forth in said declaration of reincorporation, release and discharge any and all claims, except as aforesaid, which this association or its members

have or may have against the property, assets or surplus of this association so to be transferred to said stock company; now, therefore,

Be it Resolved, That this association and the members thereof, in consideration of the said assumption of the existing liabilities of the present association, including all contracts, policies, or certificates with its members, and to the same extent as though not incorporated as a stock corporation, hereby expressly waive and release to the said National Accident Society, as so reincorporated as a stock company under article 2 of said Insurance Law, of and from any and all liability, claim, demand, right, title or interest in and to the property, assets, surplus or emergency fund of the present association, and hereby sell, assign and transfer, the same and all and every thereof to said National Accident Society, as so reincorporated as a stock company, as and when it shall have been duly authorized to transact the business of insurance as provided by statute; it being the intent and meaning of this resolution to fully divest the present association, and any and all members thereof, of and from any ownership in the property, assets, surplus or emergency fund of the present association in favor of the reincorporated stock company, and its stockholders, and to fully vest said property, assets, and surplus and emergency fund in said stock company and its stockholders, subject only to the payment of any and all claims or demands which may be or become due under said assumption of liabilities above referred to.

The notice sent to members of the annual meeting which adopted the said resolution reads as follows:

"The annual meeting of the members of the National Accident Society of New York will be held at their office, 120 Broadway, New York city, on Tuesday, February 13, 1912, at 2 o'clock, P. M., for the purpose of electing three directors of the society in place of those whose terms will expire, and for the transaction of such other business as will legally come before the meeting.

(Signed) Joseph I. Barnum, Secretary."

It appears that the members actually present at this meeting numbered five, and these were officers and directors. The proxies of 366 members were voted, however. The question naturally arising is whether the rights of the members in the surplus of this mutual society, paid in by them for the purpose of protecting their certificate contracts, can be legally divested by merely the passing of a resolution at an annual meeting. Section 217 of the Insurance Law, above quoted, provides precisely that "upon such reincorporation said company shall be entitled to the assets and shall be subject to the existing liabilities of the present company, including all contracts, policies or certificates

with its members and agreements between such members and the subscribers to any guaranty or reserve fund heretofore made or approved at an annual meeting of the members or which may be ratified at the meeting called to consider such reincorporation." Hence, in order to determine what the exact liabilities of the mutual society are, it would seem that, upon completion of the reorganization upon the stock basis, a conference should be had between representatives of the company and the Insurance Department to the end that a plan be devised whereby substantial equity may be given to all persons interested, and this course is hereby respectfully recommendd.

Policy Fees

The society charges its members a policy fee upon joining which the agent is allowed to collect with the application and retain as part of his commission. No report is made by the agent to the society on this account, hence the amount of such fees collected by the former does not appear on the society's books, but is reported, however, in the annual statement. The amount collected on this account for the period of this examination amounted to the sum of $2,438, calculated upon the number of certificates written during such period. This amount has been added to both income and disbursements in the financial statement.

Expense Revenue

Relative to the expense revenue of the society the by-laws provide as follows:

"Such portion of the assessments as the Board of Directors may deem necessary shall be set aside and shall be devoted to the payment of losses and the expenses of their adjustment and resisting the payment of improper or fraudulent claims, and the balance of such assessments shall be devoted to the payment of the general expenses of the society."

Under a resolution passed by the board of directors, two-thirds of the assessments may now be used in payment of the general expenses of the society. This does not include policy fees, the whole of which is retained by agents as part of their commission.

The ratio of expense of management to income from members for the last three calender years, and ten months of 1912, is given in the following table:

	Income	Expense of management including claim adjustments etc.	Percentage
1909	$43,687 87	$34,399 48	78.74
1910	43,494 28	35,572 00	81.78
1911	35,023 50	29,681 54	84.74
1912 (10 months)	27,441 02	21,784 96	79.39

The percentage of expenses shown in the above table exceeds the two-thirds rule, by reason of the fact that such expenses, as indicated, include the expense of adjustment and of resisting improper claims. However, it is obvious that less than one-third of the income from members is being set aside for the payment of actual benefits. A reform in this matter is recommended as being absolutely necessary for the future well being of the society.

Salaries

The salaries being paid at the present time are as follows:

A. A. Wallace, Secretary and General Manager	$85 weekly
A. A. Wallace, General Claim Adjuster	80 monthly
J. I. Stewart, Treasurer	30 weekly

Directors receive $25 per meeting, divided equally among those present at regular monthly board meetings.

Settlement of Claims

An examination was made of the manner in which the society settles with its claimants. This was made a matter of special investigation by this Department, together with similar examinations of other societies and companies in the year 1911. Since then the management of this society charged with the adjustment of claims has been changed, and it is the opinion of your examiner that improvement has been made generally in such matters. This should be carefully watched, to the end that only claims that are clearly fraudulent or do not come within the provisions of the contract, not technically construed, should be resisted.

Reserve

The reserve liability entered in the statement of this report is $8,487. This amount includes $8,000 to provide for casualty policies, as required by section 205 of the Reinsurance Law where the maximum policy issued exceeds $5,000, and $487, being the amount of one assessment on policies carrying a natural death benefit.

Certificates in Force

The total number of certificates in force October 31, 1912 was 3,312.

THE PROTECTIVE LIFE ASSURANCE SOCIETY

BUFFALO, N. Y.

Report dated November 12, 1912.
Condition September 30, 1912.
Examiner: Leon S. Senior.
Assistant Examiner: W. H. Derrick.

The following financial statement shows the income and disbursements of the society for the period of nine months from January 1, 1912, to September 30, 1912, and the assets and liabilities on the last mentioned date.

FINANCIAL STATEMENT

Income

Assessments and fees	$49,130 65	
Interest	268 22	
Total income	$49,398 87	
Ledger assets December 31, 1911	31,428 12	
		$80,826 99

Disbursements

Death and disability claims	$18,836 25	
Dividends to members	13,487 74	
Total paid to members	$32,323 99	
Expenses of management	33,386 23	
Total disbursements		65,710 22
Balance		$15,116 77

Ledger Assets

Cash in office and banks	$10,274 30	
Agents' balances	4,842 47	
Total ledger assets		$15,116 77

Non-Ledger Assets

Accrued interest on bank balances	45 32
Total gross assets	$15,162 09

Deduct Assets Not Admitted

Agents' balances	4,842 47
Total admitted assets	$10,319 62

Liabilities

(*A*) *Actual:*		
Unpaid claims	$3,505 42	
Advance assessments	3,820 05	
Dividends accrued on matured certificates issued during the second half year of 1907	5,849 96	
Reserve or emergency fund	8,402 00	
Bills and accounts due and accrued	1,185 91	
(*B*) *Contingent:*		
Dividends accrued on matured certificates issued during the first half year of 1907	12,998 13	
Total liabilities		$35,761 47

AGENTS' BALANCES

Included in agents' balances appears the sum of $4,210.10 due from C. H. Clemens, the secretary of the society, on account of premiums collected by him prior to his obtaining control of the society's affairs. A counterclaim against such indebtedness was presented by him in 1910 for expenses incurred dating back to 1905 and amounting to $6,159.76.

The account is still in the same disputed and unsettled condition as found and reported in reports on previous examinations. The remainder of agents' balances amounting to $632.37 represents advances to various agents on account of future commissions.

EXPENSES OF MANAGEMENT

The following table shows the premiums received and the expenses of management for a period of four years and nine months from January 1, 1907, to September 30, 1912:

	Total Premiums	Total Expenses	Ratio
1907	$28,659 38	$9,268 56	32%
1908	41,449 62	19,571 62	48%
1909	42,820 68	24,713 83	58%
1910	51,926 90	34,090 42	65%
1911	64,792 18	47,225 85	73%
1912	49,128 90	33,386 23	68%
Totals	$278,777 66	$168,256 51	60%

RATIO OF LOSSES TO PREMIUMS

The following table shows the ratio of losses paid to premiums received during the years 1911 and 1912:

1911	Premiums	Losses	Ratio
Dividend policies	$33,869 52	$6,287 20	19%
Non-dividend policies	30,922 66	13,929 22	45%
Total	$64,792 18	$20,216 42	31%
1912			
Dividend policies	$4,703 00	$1,243 27	26%
Non-dividend policies	44,425 90	17,592 98	39%
Total	$49,128 90	$18,836 25	38%

INSURANCE IN FORCE

The following table shows the number of policies, separately according to forms, and the amount of insurance in force at date of this examination. The amount of insurance given represents the principal amount payable in the event of death.

Kind of policy	Number	Amount Insured
Casualty	5,426	$2,344,400
Limited	393	1,179,000
Dividend	104	35,900
Burial	402	40,200
Total	6,325	$3,599,500

Casualty Certificates:

The casualty and limited forms provide indemnity for disability due to accident and illness and for loss due to accidental death.

Burial Certificates:

The burial certificate provides a funeral benefit of $100, payable in the event of natural death.

Dividend Certificates:

From 1905 to 1910, both years inclusive, the society issued to its members a certificate providing for the payment of a deferred dividend at the end of five years from the date of the certificate payable from the "surplus accumulation fund," pro rata share and share alike, based upon the amount which each of the members in the dividend class shall have paid in monthly assessments to the society during the five year period. The certificates containing this provision are divided into the following four classes:

Class No. 1, dividend not to exceed $125.
Class No. 2, dividend not to exceed $250.
Class No. 3, dividend not to exceed $375.
Class No. 4, dividend not to exceed $500.

Apportionment of Dividends

The dividends apportioned to members who entered during 1905 and 1906 are shown in previous reports on examination of this society.

In 1912, the society apportioned the following dividends to members who entered during the first semi-annual period of 1907 and whose certificates matured during the first semi-annual period of 1912:

Members	Class	Dividend	Total
56	1	$7 26	$406 56
178	2	12 90	2,296 20
2	3	27 27	54 54
44	4	26 31	1,157 64
Total dividend			$3,914 94

A verification of the dividend account for the above period shows the society's computation to be wrong in principle and erroneous in many details.

The principal and fundamental error is to be found in the expense ratio of 91.9 per cent. charged to the members in this class. The actual average expense ratio for the period of five years preceding the maturity of these certificates as shown herein is equal to 60 per cent. of the premiums received. During the years 1911 and 1912 the society did not write any dividend certificates and a considerable portion of the expenses in those two years was applied in the acquisition of new business on the non-dividend plan. It is manifestly unfair to charge such expenses — estimated by the examiners at 20 per cent. of the premium income — to the dividend policyholders.

Eliminating the cost of new business from the expense of management, the average expense ratio obtained is equal to 52 per cent. of the premium income. Even this ratio is abnormally high, when applied to a liquidating business, the position in which the dividend policyholders found themselves during the years 1911 and 1912.

The following shows the dividend account as computed by the examiners for certificates issued to members during the year 1907:

Dividend Account — First Half Year 1907

Income		
Premiums on policies in force	$34,895 75	
Premiums on terminated policies	6,712 50	
Interest earned	837 05	
Claims and interest on policies in force	2,979 10	
		$45,424 40
Disbursements		
Claims paid on policies in force	$2,919 10	
Claims paid on terminated policies	1,763 98	
Expenses (52% of premium receipts)	21,636 29	
Loans and interest in excess of dividends	95 23	
		26,414 60
Balance		$19,009 80
Deduct:		
Loans on policies in force	$2,979 10	
Paid on account	3,032 57	
		6,011 67
Net balance due		$12,998 13

Apportionment of dividends on policies issued during the first half of year 1907 on the basis of above computation.

Class	Policies	Units	Dividend	Total Dividend
1	56	56	$32 22	$1,804 32
2	178	356	64 44	11,470 32
3	2	6	96 66	193 32
4	43	172	128 88	5,541 84
Totals	279	590	.....	$19,009 80

Dividend Account — Second Half Year 1907

Income

Premiums on policies in force	$10,502 00	
Premiums on terminated policies	9,428 00	
Interest earned	390 62	
Claims and interest on policies in force	502 86	
		$20,823 48

Disbursements

Claims paid on policies in force	$492 86	
Claims paid on terminated policies	3,606 49	
Expenses (52% of premium receipts)	10,363 60	
Loans and interest in excess of dividend	7 71	
		14,470 66
Balance		$6,352 82
Deduct:		
Loans and interest on policies in force		502 86
Net balance due		$5,849 96

Apportionment of dividends on policies issued during the second half year 1907 on basis of above computation:

Class	Policies	Units	Dividend	Total Dividend
1	26	26	$35 69	$927 94
2	49	98	71 38	3,497 62
3	2	6	107 07	214 14
4	12	48	142 76	1,713 12
Total	89	178	.....	$6,352 82

The net amount of the dividends due to members who entered during the second half year of 1907 has been charged as an actual liability.

As to the unpaid balance due to members who entered during the first half year of 1907, such balance, amounting to $12,998.13, has been treated as a contingent liability, this for the reason that practically all such members have accepted the payments and surrendered their certificates. It is possible, however, that such policyholders may in an action at law or equity maintain a successful recovery for the balance due them as shown herein. Counsel for the society, at the hearing on this report, asserted that this was a question of law for the courts to determine; and that pending such determination, the liability should not be treated as an absolute obligation.

TRANSFER OF DIVIDEND MEMBERS

During the years 1911 and 1912 the society has transferred 358 members from the dividend to the non-dividend class. In effecting such transfers, each member was allowed one month's free insurance on the non-dividend policy for six monthly premiums paid by him on acount of the dividend policy. The aggregate amount of insurance thus allowed to the 358 members is equal to $2,834.70 in premiums payable on the non-dividend policies, and the total commissions allowed to agents for effecting such transfers amount to $660. The assured who accepted the non-dividend certificates have surrendered their policies and assigned their rights therein to the society.

SURPLUS ACCUMULATIONS

At the close of 1910, this society in its annual statement to this Department showed a surplus of $48,779.

In the early part of 1911 an examination was made of this society's condition and affairs. Among other things the report of such examination directed attention to the surplus accumulations in the following words:

"The above fund available for the payment of dividends to members, whose certificates will mature during the next four years, amounts to $43,427.07. As the society has discontinued the writing of dividend policies, it now becomes important to set aside the above fund as a reserve for future dividends, and to discourage any attempt to encroach upon this fund, which represents the net profits accumulated from the contributions of the dividend class.

"In order to protect the rights of the dividend policyholders and their equities in the surplus accumulations, it is recommended that a separate

account be created on the books of the society, to be entitled 'Surplus Accumulation Fund'; that all income from the participating policies and the interest earnings thereon be credited to such account; that all disbursements for claims, dividends and proportionate expenses of administration be charged to such account, keeping it distinct and separate from the non-participating business which the society intends to transact hereafter."

This recommendation was ignored. During 1911, the expenses of management rose to 73 per cent. and the loss ratio on non-dividend contracts to 45 per cent. of the total premiums. During 1912 the expenses of management were equal to 68 per cent. and the loss ratio on non-dividend contracts to 39 per cent. of the total premiums. To cover the deficiency between receipts and disbursements the management used the funds representing the accumulations of the dividend policyholders and which should have been held in trust for their benefit, and diverted such funds from the original purpose contemplated by the dividend contract.

Management

The history, organization, form of government and character of management are set forth at length in former reports on examinations of this society. It is intended, therefore, to refer here only briefly to the principal events in connection with the society's management.

From 1886, the year of its incorporation, until 1902, the society's affairs showed but little progress. It was then issuing certificates payable in the event of death through either natural or accidental causes and found it difficult to confine its expenditures to the 35 per cent. limitation provided by law. In 1902 Dr. Wallace L. Baker acquired control of the society at a cost of $18,500. In 1905 the society commenced to issue deferred dividend certificates and in 1907 revised its policies and decided to transact business on the casualty plan exclusively. In 1909 Dr. Wallace L. Baker sold his control to Mr. C. H. Clemens, the present secretary, for the sum of $20,000. To raise the purchase price, the secretary secured a personal loan of $20,000 from the Marine National Bank of Buffalo. The salaries of the officers were thereupon increased and the increase applied for the redemption of the personal loan of Mr. Clemens. In November, 1911, this Department, after an examination, called attention to

the high expense ratio and the disproportionate salaries of officers. Such salaries were thereupon reduced to the following basis:

W. C. Moore, President	$480 00 per annum
M. E. Patten, Vice-President	3,600 00 per annum
C. H. Clemens, Secretary	3,600 00 per annum
F. W. Johnson, Treasurer	900 00 per annum
W. H. Clemens, Asst. Secretary	1,500 00 per annum
R. M. Clemens, Asst. Treasurer	1,500 00 per annum

At date of this examination the secretary was indebted to the society for advances on account of salary for the months of October and November. In addition to such indebtedness the examiners found in the cash drawer as part of the office cash, his personal check for the sum of $224.82, dated September 30, 1912, and withheld from the bank deposits in accordance with his instructions to the office cashier.

SUMMARY

The principal facts established in the course of this examination may be summarized as follows:

First — Financial Condition:

The financial statement appearing herein shows a state of insolvency, the actual liabilities exceeding the assets by the sum of $12,443.72.

Second — Dividend Fund:

The dividends due to members admitted in 1907 amount to $18,848.09. This fund which should have been treated and held as a trust fund for the dividend members has been diverted from its original purposes and exhausted in expenses, salaries and the acquisition of new business.

Third — Management:

Although this corporation is regarded in law as a mutual organization the officers, both present and past, directing its affairs, have treated it as a private enterprise, purchasing and selling its control for a money consideration. The present financial condition of the society is due to the lack of care and economy in the administration of its funds, and to the irresponsible character of its management.

Fourth — Treatment of Claimants:

In their dealings with loss claimants, the officers have not carried out the provisions of the contract in a spirit of justice and equity, but have assumed an unreasonable and technical attitude intended in the main to limit and restrict the benefits of the promised insurance to such an amount, for which a plausible justification can be found in the numerous provisions of the policy.

At the hearing on this report, counsel for the society advised this Department that steps have been taken to secure the resignations of the principal officers responsible for the existing abuses, and that through measures of economy which will become effective on January 1, 1913, the expenses of management will be materially reduced.

Supplemental examination.
Report dated February 19, 1913.
Condition February 7, 1913.
Examiners: Leon S. Senior, W. A. Billingham.

The following financial statement shows the income and disbursements of the society for the period from October 1, 1912, to February 7, 1913, inclusive, and also the assets and liabilities on the last mentioned date.

Financial Statement

Income

Assessments and fees	$27,004 51
Miscellaneous	22 50
Interest	80 52
Total income	$27,165 55
Total ledger assets September 30, 1912	15,116 77
Total	$42,282 32

Disbursements

Death and disability claims	$8,730 78	
Dividends paid to members	466 44	
Total paid to members	9,197 22	
Management expenses	17,762 47	
Total disbursements		26,959 69
Balance		$15,322 63

Ledger Assets

Cash in office and banks	$10,423 46
Agents' balances	4,899 17
Total ledger assets	$15,322 63

Non-ledger assets

Agents' balance prior to 1912 not treated as ledger assets	961 38
Accrued interest on bank balance	10 00
Total assets	$16,294 01

Deduct Assets Not Admitted

Agents' balances	5,860 55
Total admitted assets	$10,433 46

Liabilities

(*A*) *Actual:*			
Unpaid claims		$7,528 00	
Advance assessments		2,057 43	
Bills due and accrued		464 87	
Dividends accrued on matured certificates issued during second half of year 1907, per examiner's report of Sept. 30, 1912	$5,849 96		
Less dividends paid between Sept. 30, 1912, and Feb. 8, 1913	466 44		
		5,383 52	
Reserve or emergency fund		8,520 00	
(*B*) *Contingent:*			
Dividends accrued on matured certificates issued during first half of 1907, per examiners report of Sept. 30, 1912		12,998 13	
Total liabilities			36,951 95
Excess of liabilities over admitted assets			$26,518 49

Cash Account

The difference between the balance shown as per the society's cash book and the actual amount of cash on deposit and in the office was found to be $4,060.10. From an examination of the items making up such difference it appears that the society was carrying as a part of its cash account a sum claimed to be due from C. H. Clemens, former secretary of the society, amounting

to $4,210.10. The basis for such claim has been explained in detail in reports of previous examinations. The remaining difference of $150 is accounted for by a bookkeeping error which was corrected at the time of the examination.

At the time of writing this report, the Superintendent of Insurance pursuant to an order of the Supreme Court has been placed in possession of the society's affairs with power to liquidate, and it will therefore be necessary in the near future to determine the equities of the members in the dividend classes whose certificates were issued subsequent to the year 1907.

THE SWEDISH MUTUAL AID SOCIETY "SCANDIA" IN NEW YORK

New York, N. Y.

Examination on condition as of July 12, 1912.
Report dated August 24, 1912.
Examiners: C. J. Norton and J. F. Tucker.

For reasons hereinafter set forth, this examination was made so as to show the condition of the association as of July 12, 1912, instead of at the close of the previous month.

The following is a statement of income and disbursements from January 1 to July 12, 1912, inclusive, and the assets and liabilities on the latter date:

Ledger assets December 31, 1911		$53,237 98
Income		
Dues, assessments and fees	$12,884 91	
Interest	956 15	
Total income		13,841 06
Total		$67,079 04
Disbursements		
Death claims	$7,000 00	
Management expenses	1,653 73	
Total disbursements		8,653 73
Balance (ledger assets July 12, 1912)		$58,425 31

Ledger Assets		
Mortgage loans on real estate	$23,800 00	
Cash in banks	32,694 13	
Checks in office	1,931 18	
Total		$58,425 31
Non-ledger Assets		
Interest accrued on mortgages and bank deposits		341 65
Gross assets		$58,766 96
Liabilities		
Death claims in process of adjustment	$2,500 00	
Death claims, doubtful	250 00	
Reserve liability, as per section 205 of Insurance Law	5,647 25	
Surplus over all liabilities	50,369 71	
Total		$58,766 96
Surplus to protect certificates of members		$56,016 96

Assets

Mortgage Loans: Of the mortuary reserve fund, $23,800 is invested in first mortgages on real estate. The mortgage papers were examined and found in order. The titles to the property mortgaged are insured in regular title insurance companies.

Checks in Office: This item, amounting to $1,931.18, was composed of two checks, one for $1,000, having been given by a savings bank just prior to the date of this examination and deposited in another bank some days later; the other for $931.18, being a check given by the retiring secretary to balance his account, as shown by the books on July 12th. The regular receipts are deposited frequently and it is not the practice of the society to carry large sums of money in the office.

Benefits

At the present time, certificates are not issued for over $1,000, but a few for $2,000 each were issued prior to 1903 and are still in force. If death occur within six months of the date of the policy, the beneficiary is entitled to but one-fourth of the sum insured; between six months and one year, one-half the sum, but after one year the total benefit is payable. In the event of perma-

nent total disability by accident, a member who has been in good standing for at least five years is entitled to receive one-fourth, and after ten years one-half, the face of his policy, upon the presentation of proof satisfactory to the board of directors "provided, that such disability is not wholly or partly caused by or the result of negligence, fault or improper conduct or habits of said member."

A member receiving partial payment on account of disability may pay full assessments until death, in which event the beneficiary is entitled to the balance of the face of the policy.

Proof of death must be presented within one year, and of disability within six months.

Secretary's Defalcation

Prior to this examination, the secretary of this society deposited all the receipts from members in his personal account instead of in the name of the society. From time to time, usually when the balance reached $1,000 or more, he made transfers to the treasurer, whose duty is to deposit the money in the society's bank accounts. The amount and time of such transfers seem to have been left entirely to the discretion of the secretary.

On the first day of the examination, entries were found which led to the suspicion that the secretary had been falsifying his books and on the second day the evidence had accumulated to such an extent that his attention was called to the matter. He admitted that for some time he had been taking cash of the society for his personal use, and had succeeded in covering such transactions by means of false entries.

The officers of the society were notified of this condition, a meeting of the directors was called, the secretary's resignation was received and another secretary was elected. The books of the retiring secretary as kept by him, disregarding the false entries, showed that on July 12, 1912, he had in his possession $931.18 belonging to the society. This amount he immediately turned over in full. The cash balances were brought down to date, to wit, July 12, 1912, and this examination was made as of this date, in order to correspond with the date of the change of secretaries.

Owing to this defalcation, we were obliged to make a complete audit of the secretary's books for a period covering more than

three and one-half years. The total defalcation covered by such audit amounts to $3,144.32.

The secretary is under bond issued by the American Surety Company to the amount of $5,000, and it is probable, therefore that the entire shortage will be recovered by the society.

The exact period covered by the audit of the secretary's accounts was from November 1, 1908, to July 12, 1912, with certain test checks of entries made prior to November 1, 1908, which resulted in our finding few discrepancies of importance prior to December 15, 1908. Some errors in addition were found in August, 1907, but whether intentionally made or not is uncertain. We are not convinced and do not presume to say that the defalcations do not extend further back than December, 1908, and therefore recommend that the society have a complete audit made from November 1, 1908, back to the time that the defaulting secretary took office, such audit to be made before the surety company is finally released.

An audit has been made each year by the society's auditing committee, but the value of such audit may be appreciated when it is stated that false entries were being constantly made and the committee discovered nothing.

The directors should not have allowed the secretary to deposit the funds of the society in his personal account, although this fact had nothing to do with the methods employed by the secretary in his criminal operations. However, we understand that the newly elected secretary will deposit all funds to the order of the society and not in any event to his own account.

Treasurer's Account

The treasurer has the custody of all funds of the society paid to him by the secretary, but interest on mortgages and bank deposits is received by him directly and does not pass through the secretary's hands.

It has been the custom of the secretary, when turning money over to the treasurer, to make the checks payable to him personally and not in his official capacity. While the treasurer usually deposits these checks to the order of the society with reasonable promptness, it was found that a check for $1,000, given him by the

secretary on March 18, 1912, was indorsed by him as an individual and not as treasurer and was not deposited to the credit of the society until two days after the commencement of this examination, which was July 8, 1912. He admitted that this item had been held in his personal account during the interim.

This practice should cease, as the by-laws require that the treasurer shall "keep the moneys and accounts of each of the three funds separate and distinct from those of others."

Membership

The present membership is approximately 2,010, and while it has not increased materially in the past few years, new members are received in sufficient numbers to offset the deaths and lapses. The amount of insurance in force is approximately $1,684,000.

Assessments

Four regular assessments are issued each year on the first of March, June, September and December. For the past few years a fifth assessment has been called by resolution of the board of directors. This is issued each year on July 20th.

The members have thirty days in which to pay each assessment and are usually prompt in their payments. Suspension is automatic at the end of thirty days, but a suspended member is reinstated at any time within sixty days without other formality than the payment of all arrears. Between sixty and ninety days he may be reinstated by the board of directors upon payment of arrears and presentation of a satisfactory medical certificate.

Rates

The following table gives the rates for the ages indicated at age of entry, which the society is maintaining at the present time. This includes the special assessment to which reference is made elsewhere in this report, and the annual dues.

Age	Rate per $1000
21	$13 00
25	15 00
30	16 50
35	18 00
40	19 00
45	21 50
50	27 00

Officers and Salaries

The only salaried officers are the treasurer, who receives $50 per year, and the secretary, who receives $1,200 per year. The directors meet on the second Tuesday in each month and receives $1 each for each meeting attended.

The officers are as follows:

President Rev. G. Nelsenius, D. D.
Vice-President Emil F. Johnson.
Treasurer John T. Smith.
Secretary Elias Johnson.

It should be noted that the last named officer is the newly elected secretary, and not the one to whose defalcations reference has been made in this report.

THE TELEGRAPHERS' MUTUAL BENEFIT ASSOCIATION

NEW YORK, N. Y.

Examination on condition as of November 30, 1912.
Report dated December 28, 1912.
Examiners: Clarence J. Norton and W. F. German.

Ledger Assets		
Mortgage loans	$65,700 00	
Book value of bonds	260,833 78	
Cash deposited with Western Union Telegraph Company	13,405 42	
Total ledger assets		$339,939 20
Non-ledger Assets		
Cash items in office not yet entered in income account	$523 75	
Assessments in course of collection not over 30 days due	7,443 74	
Accrued interest	4,770 68	
Total non-ledger assets		12,738 17
Gross assets		$352,677 37

Deduct Assets Not Admitted

Book value of bonds over market value as shown in schedule attached	$4,723 78
Total admitted assets	$347,953 59

Liabilities

Death claims	$13,606 00	
Assessments paid in advance	1,127 91	
Reserve as per section 205 of Insurance Law, being amount for one assessment	5,601 58	
Miscellaneous bills unpaid	102 50	
Total liabilities		20,437 99
Excess of assets over liabilities		$327,515 60

A statement of the income and disbursements from January 1, 1912, to November 30, 1912, inclusive, is as follows:

Balance, ledger assets, Dec. 31, 1911		$325,416 88
Income		
Assessments and fees	$61,293 46	
Less assessments refunded	11 00	
Total received from members	$61,282 46	
Interest	15,567 53	
Total income		76,849 99
Total		$402,266 87
Disbursements		
Death claims	$56,354 00	
Management expenses	5,973 67	
Total disbursements		62,327 67
Balance, ledger assets, Nov. 30, 1912		$339,939 20

Assets — Mortgage Loans

The association holds twenty-three mortgages on real estate located in Greater New York and New Jersey, which earn interest varying from 4, 4½, 5 and 6 per cent. The association has dis-

continued loaning on real estate, no such loans having been made since 1908.

All papers in connection with the mortgage loans were examined and found in order.

Bonds

Attached hereto is a schedule giving a description of the bonds owned by the association, showing the book, par and market values on date of this examination. The bonds are deposited in the vaults of The Safe Deposit Company of New York.

Cash Deposits

The cash held by the association is deposited with the Western Union Telegraph Company, which corporation pays this association interest on balances at the rate of 6 per cent. per annum. The cash so held is deposited in a separate bank account in the Equitable Trust Company, such account being designated "Western Union Telegraph Company No. 1." A certificate executed by the Western Union showing the balance of cash held on date of this examination was furnished, and the same was reconciled with the records of the association.

Cash in Hands of Secretary

It is the practice of the association not to enter on the cash-book the receipts until same have been deposited in bank. The amount carried as cash in office and credited as a nonledger asset represents all payments made to the association from November 28, 1912, to November 30, 1912, the date of this examination.

Income

Under the by-laws the secretary is authorized to appoint certain members to act as agents to receive and forward to him within thirty days from the date of the last assessment all moneys collected. It is also the duty of such agents to exercise a general supervision over the affairs of the association in their respective districts. These agents serve without salary but are allowed their necessary expenses, such as postage, stationery, etc. They furnish detailed statements, giving the name of member, number of

certificate, assessment and amount paid. They also show the items of disbursements, furnishing vouchers for each. These statements are summarized by the secretary according to assessment numbers and entered in the cash-book. It was necessary, therefore, in checking the income, to check the assessment ledger, which is subdivided according to agency, with such statements, and then check the statements with the cash-book. This was done for a period of two months, with the result that all items were found to agree.

Disbursements

All disbursements, other than death claims and salary of the secretary, are paid by the secretary in cash. However, vouchers were submitted for all such disbursements. It seems to your examiners that the better practice is to pay all bills, except the petty cash items, by check.

Organization

This association was organized in 1867 and incorporated September 28, 1885, under the provisions of chapter 175 of the Laws of 1883. It transacts the business of insurance on the assessment plan and provides for benefits to members in the event of death.

Any person of either sex, not under 18 nor over 45 years of age, who is employed in telegraph or telephone service, is eligible to membership. Members who leave the service may still retain membership in the association.

Death Benefits

The maximum amount of insurance carried on one life is $1,500. Benefit certificates are issued in two grades or amounts, the half grade representing $500; the full grade $1,000. Members are allowed to take one certificate in each grade.

The by-laws provide that death claims shall be payable within 60 days after the verification thereof. We find that customarily the association adheres strictly to this provision, payments being made 60 days after the filing of proofs of death. It seems to your examiners that, with ample funds available, the association could very well pay claims before the expiration of 60 days.

Fees and Assessment Rates

Members are charged an admission fee of $2, and, in the event of lapse of membership and subsequent reinstatement, a fee of $4 is collected.

Prior to 1887 all members were insured for one amount, viz., $1,000, and all paid the same rate of assessment, viz., $1, regardless of age, but in the said year a table of rates was adopted to apply on all new members admitted on and after January 1st of the said year, according to age at the date of application for admission. The following table sets forth such new rates for the ages in the various classes:

Class	Ages	Full grade $1000	Half grade $500
A	Over 18 and under 30	$1 00	$0 50
B	Over 30 and under 35	1 25	63
C	Over 35 and under 40	1 50	75
D	Over 40 and under 45	2 00	1 00

Members who were in good standing at the time the above rates were adopted were allowed to continue paying the same rate as formerly, viz., $1 per assessment.

Assessments are levied on the first of each month and are due and payable any time within thirty days thereafter. One or more assessments may be levied at one time and dated on the same day, but the by-laws provide that "whenever the sum collectible on account of assessments levied in any one year, less the expenses authorized, as hereinafter provided, to be incurred during said year, shall be equal to 1¾ per cent. of the total contingent mortuary liability, no further assessments shall be levied during said year; and in the event that the proportion of said sum applicable to the payment of the mortuary claims shall not be sufficient to pay all mortuary claims incurred during said year, any balance necessary to meet said claims shall be withdrawn from the reserve fund and used to pay said claims."

The number of assessments levied during the past five years is as follows: 1908, 15; 1909, 14; 1910, 15; 1911, 16; 1912, 12.

Members not paying their assessments within thirty days forfeit all claim to benefits, and should the assessment remain unpaid

sixty days after date of levy they forfeit their membership and can be restored only as provided in the constitution and by-laws, but such reinstated members are assessed in accordance with the rates called for at their ages at the time of reinstatement.

Membership

The number of members in good standing on November 30, 1912, classified is as follows:

Full grade — $1,000		Half grade — $500	
Class A	3,608	Class A	445
Class B	650	Class B	191
Class C	325	Class C	124
Class D	155	Class D	89
Total	4,738	Total	849

The total membership aggregates 5,587, representing $5,162,500 of insurance in force. Included in the above are about 300 female members.

Of the total membership, there remained at the time of this examination about 1,500 members who were such prior to 1887, and who are therefore paying the old rate of $1 per assessment which was in force at that time.

Reserve Fund

This fund was created for the purpose of obviating excessive assessments upon the members in the event of unusual mortality and of guaranteeing as far as possible the payment to beneficiaries of the amounts to which they may be entitled. The by-laws provide that this fund shall equal an amount not less than 5 per cent. of the total liability to beneficiaries contingent upon the death of members, and shall be accumulated, augmented and maintained subject to the provisions thereof; that the interest derived from this fund shall be added to the principal each year, and that an amount equal to not less than 5 per cent. of the net increase of contingent mortuary liability assumed by the Association in each fiscal year through admission of members shall be added to the fund, in addition to the interest thereon.

This fund shall not be used for any purpose other than for the payment of death claims under the circumstances above mentioned.

Second Division

In the year 1880 a new division known as the " second division " was organized for the purpose of allowing members, not more than forty-five years of age, to secure additional insurance. Upon the death of a member in good standing in this division an assessment is levied upon the surviving members thereof, the net proceeds of which is paid to the beneficiary, in addition to the regular benefit. Such assessments levied upon the members of this division vary as follows: Those members admitted prior to January 1, 1887, are assessed $1; those admitted since that date are assessed according to the following table:

Age at entry		Age at entry	
18–30	$1 00	35–40	1 50
30–35	1 25	40–45	2 00

Ten per cent. of the gross amount collected from such assessment is deducted to cover expenses.

At the present time the number of members in this division is fifty-seven and the amount realized from the assessment collected for the last claim paid was approximately $59. The Association has not written new business in this division for some time.

Officers and Salaries

At the last convention held November 15, 1911, the following officers were elected to serve for the term ending March, 1913:

President, Belvidere Brooks.
First Vice-President, Charles P. Bruch.
Second Vice-President, S. S. Garwood.
Secretary, M. J. O'Leary.
Treasurer, A. R. Brewer.

After the latter date the term will be for one year. None of the officers receive any compensation for service rendered, save the secretary who was appointed by the executive board as clerk of the Association and receives a salary of $200 per month as such.

Change of Name

In accordance with resolutions adopted by the executive board the Association is taking legal steps to change the name of the society to "Telegraph and Telephone Life Insurance Association," and later will apply to the Insurance Department for permission to change its charter accordingly.

Expense of Management

This Association is operated at a very low expense ratio, there being no officers under salary. The commission allowed agents is only the initiation fee received from new members. The Western Union Telegraph Company assists the Association materially by providing office room, light and heat free of charge.

Fraternal Beneficiary Orders or Societies

[905]

INDEPENDENT ORDER OF AHAWAS ISRAEL

New York, N. Y.

Examination as of May 31, 1912.
Report dated July 23, 1912.
Examiners: Clarence J. Norton, J. F. Tucker

During this examination, the statement made to the Insurance Department for the year ending December 31, 1911 was verified, and the income and disbursements were found to agree with the records of the order. Of course it was impossible to verify the amount of cash in office on the said date, reported to be $489.13.

The following is a statement of the income and disbursements for the five months ending May 31, 1912 and the assets and liabilities on that date:

Ledger assets December 31, 1911, as per order's records.....		$21,456 03
Income		
Assessments	$51,213 66	
Interest on deposits.....	526 50	
Total income		51,740 16
Total		$73,196 19
Disbursements		
Death claims	$46,851 66	
Management expenses	5,751 96	
Donations	976 00	
Payments on cemetery.....	836 00	
Cemetery expenses	52 50	
Total disbursements		54,468 12
Balance		$18,728 07
Ledger Assets		
Cash in banks.....		$16,941 10
Cash in office to balance total assets.....		1,786 97
Total ledger assets.....		$18,728 07
Non-ledger Assets		
Assessments levied but not 30 days overdue.....		8,941 47
Total admitted assets.....		$27,669 54

Liabilities

Death claims	$40,840 00
Due minors for whom no guardians have been appointed (9)	2,001 24
Unpaid bills and accounts	760 84
Borrowed money	3,923 15
Total liabilities	$47,525 23
Excess of liabilities over assets	$19,855 69

ASSETS

Cash in bank: The reserve fund is deposited in several savings banks in New York city on interest at 3 per cent. to 4 per cent. No interest had been entered on any of the pass-books since the last examination. The pass-books were sent to the banks for the purpose of having the balances brought down to date, and a certificate from each bank showing the balance on deposit was obtained. The checking accounts were reconciled with the bank certificates and outstanding checks and found to agree with the accounts kept on the several check-books, with the exception of the endowment check-books, in which there was no record of deposits. The balance in this account was obtained by deducting from the amount of the bank certificate the outstanding checks.

Cash in office: The records show that on May 31, 1912 there should have been cash in office amounting to $1,786.97. As there was no way to verify this, the cash balance was brought down to the date of actual examination (June 26) and it was found that the total cash on hand was $473.62 more than was necessary to satisfy the records. When asked for an explanation of this condition the grand secretary stated that it is his custom to mingle his personal fund with those of the order and to borrow cash of the latter whenever he feels so inclined. He admitted that some of the amount which should have been in office on the date of this examination might have been actually in his personal possession, but that he was always ready to make up any deficiency which might be due the order and that often he had deposited his own moneys with the order so that it would receive the benefit of interest earned thereon.

It would appear that this condition of affairs should immediately be stopped, and it is respectfully recommended that the Insurance Department notify the management that here-

after the funds of the order must be kept wholly intact and not mingled in any way with those of any officer or person. The handling of money of members of a fraternal order is a trust which should be surrounded by the strictest safeguards, and the fact that the order is not a private accommodation bank should be impressed upon those who are in charge of the administration of this important trust.

Cash disbursements are made from time to time from cash received but are not entered upon the cash-book until the end of the month. During the five months ending May 31, 1912 the cash payments were approximately $1,000. No vouchers for such payments were on file.

All income, whether in cash or checks, should be deposited and a check drawn for such cash as is needed for items not conveniently payable by check. In this way a sufficient amount of cash for daily expenses could be carried in office and the deposits could be checked with the receipts at any time. A petty cash-book should be kept and the payments properly distributed to the general cash-book each month.

Assessments collected in hands of subordinate lodges: For the endowment fund the order makes post mortem assessments only. Calls are made upon the subordinate lodges monthly for all death claims approved by the endowment committee at its last monthly meeting. The May call reads as follows:

"This assessment must be paid at this office on or before June 1, 1912. Lodges failing to comply with above, stand ipso facto suspended."

The general practice is to allow a much longer time for the payment of assessments. Some of the lodges are from three to nine months behind in their payments, many of them being more than six months in arrears.

In the foregoing financial statement only the part of the May call remaining unpaid on May 31st has been allowed as an asset. On May 31st there were previous assessments unpaid amounting, in the endowment fund, to $22,489.28, in the general fund to $2,255.78 and in the reserve fund to $460, making a total of $25,205.06.

The June assessment amounts to $9,026.88 and was levied to

apply on death claims which are included as liabilities in the foregoing financial statement. However, no credit is given for same as the assessment had not been called on May 31st, the date of this examination.

LIABILITIES

Unpaid death claims: It will be noted that this item amounts to $42,841.24, which appears to be exceedingly high for a fraternal order of this size. Very few death claims are paid within the time prescribed in the Constitution, the reason being, as above stated, the subordinate lodges are so far behind in paying their assessments. If all the lodges paid their outstanding indebtedness it would be possible for the order to pay promptly nearly all the claims approved and due. This is an important matter and efforts should be made to collect such indebtedness immediately, to the end that beneficiaries of members may be indemnified in full within the specified time.

Of the unpaid claims $2,001.24 is due minors. The deaths represented by such claims have been assessed and collected from the lodges. This amount should, therefore, be set aside as trust funds in savings bank accounts for the minors entitled thereto respectively, and when the same have become of age, or guardians are appointed, they should receive the cash with interest. This was recommended in the report of the last examination, but nothing has been done to comply with it. This matter should be placed properly before the next convention for action.

Membership

The order transacts business under the subordinate lodge system and has 111 lodges in New York, 20 in Pennsylvania, 10 in Maryland, 13 in New Jersey and 1 in Rhode Island. Applicants are admitted to the order if they are between 21 and 45 years of age, of Hebrew faith and in sound health. The number of members, both male and female, on May 31, 1912 was 18,806.

Rates

The by-laws require that for each death the order shall assess each and every member, male or female, regardless of age, 3 cents. With the present membership a surplus above the amount

required to pay each death would be collected if this rule was followed literally. This would allow the accumulation of a surplus against a suddenly increasing death rate or other contingency.

The order does not, however, assess for the full number of deaths. As hereinbefore stated, during 1911 the number of deaths was 224, the number assessed for was 199. During the five months ending May 31, 1912, the number of deaths was 96, the number assessed for 89. Even this slight opportunity of decreasing the number of death claims constantly outstanding and unpaid is passed by in the desire to keep the rate of assessment down to the lowest possible point.

1911	Number deaths	Number assessed for	Assessment per member
January	15	15	$0 45
February	20	16	48
March	16	16	48
April	17	17	51
May	22	16	48
June	23	18	54
July	21	18	54
August	18	18	54
September	24	18	54
October	16	16	48
November	15	15	45
December	17	16	48
Total	224	199	$5 97
1912			
January	18	18	$0 54
February	17	17	51
March	18	18	54
April	22	18	54
May	21	18	54
Total	96	89	$2 67

The net rate paid for the year 1911 was, therefore, $5.97 for each $500 of insurance, regardless of the age of the members. The rates should be revised, based on a scientific or actuarial table and adjusted in accordance with the ages of the members.

Cemeteries

The order has purchased two cemeteries in Brooklyn, N. Y., one in Mt. Carmel cemetery and the other in Union Field cemetery. The order still owes $4,000 on the Mt. Carmel property and is decreasing such indebtedness at the rate of $500 per year. The Union Field property is entirely paid for.

All members, whose lodges have no cemeteries of their own, and are desirous of burial in the above cemeteries, are allowed a burial plot without any charge. Those members who desire to have a grave reserved for either husband or wife are allowed to do this at a cost of $25 per grave.

Headstone Deposits

For each deceased member who is buried in a cemetery owned by the order, the beneficiary is required to erect a headstone. Twenty-five dollars is deducted from the endowment and held until this rule is complied with, when the deposit is returned to the beneficiary. Should no headstone be erected within one year the order will see that the same is made and paid for with the amount deducted as above stated.

At the time of this examination the headstone deposits amounted to $650. No liability is shown for this item as it is not credited as an asset.

Borrowed Money

The per capita tax and other income applied to the general fund are not sufficient to meet the necessary running expenses of the order. Aside from making frequent transfers from the other funds the order has in the past been obliged to borrow money for this fund. On the date of this examination they owed the Twelfth Ward Branch of the Security Bank, $3,923.15. The report of the last examination stated that the grand secretary had personally paid the interest on this loan and did not expect to be reimbursed therefor.

In the annual statement to the Insurance Department, dated December 31, 1911, the order set up a liability for interest on borrowed money amounting to $235.39. In February, March and April, 1912, the three notes outstanding were renewed, the dis-

count amounting to $85.58. This makes the liability to date (accepting the annual statement as correct) $320.97. The grand secretary said that if the convention should vote to pay him this interest he would accept it. No liability for the item is shown in the foregoing financial statement, and whether it will ever become a liability is problematical. The method of handling this matter is not commendable. Either the order should pay its own interest or there should be a definite understanding that the grand secretary will not require the order to reimburse him for such payment.

There is, in fact, no definite record that the grand secretary has paid this interest, but it has been deducted by the bank and no record of the disbursement entered on the cash-book. The presumption is that he makes up to the order any shortage which occurs on account of such payment not being entered on the books. His own funds are so mingled with those of the order that to point directly to any definite payment which he has made is impossible.

Bookkeeping, Etc.

The books of record and methods in vogue are the same as mentioned in previous report, but the recommendations made at that time with a view of betterment have not been complied with. We suggest in addition to the books now kept that a ledger be procured and used for posting monthly from the cash-book the income and disbursements and all transfers made by funds, in order that the balance of assets in each fund will show separately at any time.

Vouchers and Cash-book: For the cash payments there were no vouchers whatsoever; for the disbursements made by check, approximately one-third of the vouchers were missing. The vouchers are numbered regardless of order of entry in the cash-book, in which the voucher numbers do not appear. If all payments could be made by check, the vouchers should bear the check numbers, but under the present system of making frequent cash payments this is impracticable. The voucher numbers should appear in the cash-book, however. The most frequent cash payments were for office help, committee expenses, postage, telegrams

and traveling expenses. With the exception of postage and telegrams there is no reason why vouchers should not be obtained for all of these payments.

The cash-book should show to whom each payment is made and for what purpose.

The report of the last examination recommends that "The books of the order should be balanced monthly and checked with the actual assets as shown by cash in bank or in office." The report also states that "The Grand Secretary has agreed to institute this change."

At the time of the present examination the books had not been balanced since December 31, 1911, nor was there any record of the amount of cash in office at any time.

The method used seems to have been to balance the cash-book only at the end of the year and to designate the difference between the balance thus shown and the bank balances "cash in office."

Death Claim Vouchers: Each death claim approved is given a number when entered on the death claim register, which number corresponds with said claim printed on the monthly mortuary assessment call. Further than this the papers are not kept intact, being neither numbered nor filed systematically.

All the death claim papers relating to each case should be filed together in a separate jacket, bearing the register number, and should be filed in numerical order.

Membership Record: The record of the individual members, by lodges, has not been kept up to date, no attempt at this having been made since 1910. The order is now considering a new system for keeping this record and it is recommended that it be started at once and kept up to date in the future.

Audit by Finance Committee: The constitution provides that the finance committee shall each month examine the books of account of the grand secretary, grand treasurer, endowment treasurer, reserve fund treasurer, etc. No evidence of any such examinations was discovered, and your examiners recommend that this provision of the constitution be enforced and complied with in this respect.

Transfer of Funds: During the five months period covered by this report there was transferred from the reserve to the endowment fund $3,000, and from the endowment to the general fund $1,357.50. No record of these transfers appeared on the cash-books, and we recommend that *all* such transfers in future be entered on cash-books and records of the order at the time transfer is made. Section 15 of article V of the constitution, relative to mortuary assessments reads as follows: "No moneys shall be paid out of the moneys so raised by these assessments, except for mortuary claims." Therefore it would appear from the above that the transfer of the $1,357.50 from the endowment fund to the general fund was in direct violation of the laws of the order as well as the Insurance Law of this State.

There has been transferred since 1908 to the general fund $7,414.69, of which $6,057.19 was taken from the reserve fund and $1,357.50 from the endowment fund. Of this amount, $2,923.15 which was transferred from reserve fund in 1908, was returned in 1909; hence there is still due the reserve fund $3,134.04 and the endowment fund $1,357.50, from the general fund.

Officers

The officers of the grand lodge are as follows:

Louis Morris, Grand Master.
Leopold Herman, Grand Secretary.
Moritz Gold, Grand Treasurer.
Abe Nagelberg, Grand Messenger.

The grand master and the grand treasurer receive no salary. The grand messenger receives $300 yearly. At the time of the last report the grand secretary received $2,500 per year from which he paid the office help. He now receives $1,500 per year and the office help is paid by the order.

Conclusions and Recommendations

We would respectively renew the recommendations made in report dated June 8, 1911, of last examination.

1. That this report be read at the convention of the order to be held in October, 1912.

2. That the per capita tax be increased to an amount sufficient to defray necessary expenses, to make good the existing deficiency and to repay the money borrowed.

3. That the assessment rates be increased and the rates be placed on a more adequate and equitable basis.

4. That the benefits due to minors be set aside as a trust fund and deposited in savings banks so as to draw interest.

5. That the bookkeeping system be revised as set forth before in this report in all the details.

6. That the lodges be compelled to pay the assessment calls within the time prescribed in the by-laws for the purpose of paying the death claims more promptly.

Examination on condition as of February 28, 1913.

Report dated April 16, 1913.

Examiners: William A. Billingham and Wilbur F. German.

The last Department examination was made as of May 31, 1912, and the following is a statement of income and disbursements from said date to and including February 28, 1913; also a statement of assets and liabilities on the latter date.

Balance May 31, 1912, as per examiner's report			$18,728 07
	Income		
Assessments	$87,022 58		
Reserved graves	40 00		
Balls, picnics, etc	167 06		
Interest on bank balances	305 15		
		$87,534 79	
Assessments received prior to June 1, 1912, but entered on cash books subsequently		9,626 90	
Income received prior to June 1, 1912, and not entered on cash books:			
Reserve graves	$325 00		
Balls, picnics, etc	501 06		
		826 06	
Total income			97,987 75
Total			$116,715 82

Disbursements		
Death benefits	$81,221 20	
Management expenses	12,999 37	
Borrowed money repaid	3,923 15	
Total disbursements		$98,143 72
Balance		$18,572 10
Cash in banks Feb. 28, 1913, and total ledger assets exhibited to your examiners		6,937 00
Deficiency unaccounted for		$11,635 10
Ledger Assets		
Cash in banks as above		$6,937 00
Non-ledger Assets		
Assessments levied but not 30 days overdue	$8,978 67	
Accrued interest on bank balances	13 65	
Total non-ledger assets		8,992 32
Total admitted assets		$15,929 32
Liabilities		
Death claims for which assessments have been levied upon subordinate lodges	$37,567 88	
Death claims for which assessments have not been levied upon subordinate lodges	19,850 00	
Total unpaid death claims		$57,417 88
Head stone deposits	$475 00	
Unpaid bills	3,510 07	
		3,985 07
Total liabilities		$61,402 95
Excess of liabilities over assets		$45,473 63

Excess of Liabilities Over Assets and Shortage of Funds

The foregoing financial statement shows that the liabilities of the order exceed its assets by $45,473.63, and a shortage in the assets exists amounting to $11,635.10. This condition has been brought about by a combination of untoward events, which we shall proceed to outline. It appears that beginning in November, 1907,

and continuing until December, 1912, what we will designate as a "private" cash-book has been kept in the office of the order by one Samuel Weinig, who was commonly regarded as assistant grand secretary, although no record could be found of his election to that office. Mr. Weinig stated that this private cash-book was never exhibited to the insurance examiners on prior examinations, because he regarded it as a private book between Mr. Leopold Herman, the grand secretary, and himself. He stated, however, that as a matter of fact this book was the one of original entry, and from it the entries were from time to time transferred to the regular cash-books, namely, the endowment, reserve and general cash-books, respectively.

The fact is, however, for the evident purpose of holding out cash, the transferring of entries from the private cash-book to the regular books was delayed, that is, transferred as of a later date. For instance, assessment remittances to the amount of $9,626.90 shown by the private cash-book to have been received during the month of May, 1912, were not entered on the regular cash-books until the month of June.

In addition to this, it was the practice to enter upon the private cash-book payments for charity ball tickets and reserved graves which were not entered upon the regular cash-books until immediately prior to the annual convention, and since July, 1912, no entries of these items whatsoever appear to have been made on the regular cash-books. It appears further that for the months of August, September, October and November no entries whatever have been made on the regular cash-books.

We have therefore, in arriving at the income of the order, taken the receipts as shown on the private cash-book since May 31, 1912, the date of the last Department examination, and have added thereto $9,626.90, which was received for assessments during May, 1912, as shown by the private cash-book, but not entered in the regular cash-books until June; also $325 received for reserved graves and $501.06 for picnic and ball tickets received prior to June 1, 1912, per private book, but not entered in the regular cash-book.

Several test checks were made between the private cash-book and the regular cash-book sufficient to convince your examiners that it

has been the practice for a long time to defer the entering in the latter of receipts for a month or more. The correctness of the private cash-book was verified so far as possible by test checks made with letters received accompanying remittances.

Comparison of Receipts Issued to Lodges With Order's Records — False Records — Lack of Vouchers to Support Disbursements

The order has a regular form or receipt with margin stub which it issues to the subordinate lodges upon payment of assessments. Upon checking the assessments received, as represented by the stubs, with the regular cash-book it was found that same agreed exactly as to dates, amounts, etc., but, upon securing from certain subordinate lodges receipts given, and comparing them respectively with the same numbered stub, it was found that none of such receipts correspond in any respect. Receipts dated as far back as 1910 were secured and it was found the same condition existed then.

It is the opinion of your examiners that misappropriation of funds has been going on for years and that it is impossible to ascertain at this time definitely the amount of the actual shortage. Records have been falsified, books have been kept in a grossly incompetent way, many items of disbursements appear on the records for which no vouchers are on file to prove such disbursements are bona fide, and even reports to annual conventions are shown to have been falsely made in order to deceive the members.

Referring to reports of previous examinations by this Department, we find that in the year 1903 a deficiency in the assets amounting to $10,517.71 was reported, and later, in 1907, a report on examination states that the disbursements shown in the annual statement of 1903 includes a sufficient sum under various headings to account for the aforesaid deficiency and thereby show a balance equal to the amount of ledger assets in its possession on said date.

Former grand master, Mr. Louis Morris, who was at the head of the order for a number of years, when examined under oath, testified that he never saw any of the Department reports and did not know that such written reports were ever made. It seems that the management of the financial department of the order was

handled exclusively by the grand secretary and his assistant, who have apparently contrived to deceive other executives connected with the organization.

There are what purport to be certificates of audit of the chairman of the finance committee attached to statements made to annual conventions of the order, but such audits amount practically to a travesty. The chairman of the finance committee informs us that no audits were ever made and that he never signed said certificates, except the first one submitted after he was first elected, a number of years ago, when he was induced to sign a certificate merely upon the word of the secretary "that everything was all right."

The whole history of this order in connection with its financial operations savors so much of moral obliquity that it is difficult to describe its condition in its true light.

The following is another factor which undoubtedly has contributed in a large measure to the precarious condition in which we find the order to be.

At the convention of 1909 the following resolution was adopted, and is still in force, viz.:

"All deaths occurring after January 1, 1910, shall be charged three cents per case on a member instead of four cents as before."

It appears, however, that prior to the election of the present grand master, Leonard A. Snitkin, at the 1912 annual convention, held October 7th, it was the practice to permit many lodges to discharge their assessment obligations by the payment of 2 cents per death per member, and in some cases even less than 2 cents, instead of 3 cents or more. This statement is substantiated by correspondence in the files of the order, and by the testimony of Mr. Louis Morris who served as grand master of the order for nearly five years, his term expiring in October, 1912. The latter denied any responsibility for this discriminatory practice and stated it had obtained more or less in the order as far back as fifteen years ago.

In justice to the present administration, it should be stated that all lodges are now required to pay the full assessment of 3 cents per death per member.

Headstone Deposits

It is a custom of the order to furnish to its members, without charge, a burial plot, with the requirement that a headstone be erected thereon at a minimum cost of $25. In order to have assurance that such headstone shall be duly erected, it is a practice to deduct from the endowments payable to beneficiaries the sum of $25 in each case for this purpose, and to draw a separate check therefor which the beneficiaries are required to indorse and deposit with the order when they receive payment of the balance of the claim.

It was discovered that there was not sufficient cash in the bank on which these headstone checks were drawn to take care of the outstanding checks. The amount of this deficiency was found to be $475, and we have therefore charged same as a liability.

We recommend that such checks be deposited in a separate bank account and this fund kept intact until either the headstones are erected or the members interested otherwise settled with.

Membership

The order has 150 lodges, located in the States of New York, New Jersey, Pennsylvania, Maryland and Rhode Island, and a membership of about 18,200.

Conclusion

In view of the fact that the accrued liabilities on date of this examination exceed the admitted assets by the large sum of $45,473.63, your examiners are of the opinion that if this condition does not show material improvement within one year from the date of this examination the order cannot be rehabilitated and placed in a position where it can successfully perform the important functions for which it was organized.

The grand master and the acting grand secretary seem to be very sanguine of being able to place the order on a sound financial basis if the opportunity is afforded. The former states that he has already made personal visitations to many lodges for the purpose of persuading them to pay the full assessment rate of 3 cents per death per member, and furthermore that a majority of the

lodges have agreed not only to pay the full assessment rate in future, but also a special tax of $1 per member, which is now being levied. If the full membership should pay this extra assessment, it would amount to about $18,000. Thus far only about $500 has been received by the order on this account, and since it is proposed that payment of it be made in quarterly installments, it is problematical how much of it may eventually be realized.

In the financial statement above set forth is included liability for all death claims accrued up to and including February 28, 1913, so far as known when this examination was made. In considering the financial condition of the order, however, it should be borne in mind that it is the practice to pay death claims within a period of ninety days after proofs have been filed, and that there were claims accrued prior to March 1, 1913, for which calls had not been issued, amounting to $19,850. On the other hand deaths are constantly occurring and we believe the condition of the order as above set forth represents the condition of the order even better than could be realized if on a certain date it should go into liquidation.

The question arises as to who is responsible for the present conditions. At the annual convention held October 6, 1912, Mr. Louis Morris was succeeded as grand master by Mr. Leonard A. Snitkin, and while Mr. L. Herman was re-elected grand secretary he was not able, owing to ill health, to perform the duties appertaining to that office, and, in fact was largely incapacitated on account of illness from July, 1912, to January, 1913, during which latter month he died. From July to December, 1912, Mr. Samuel Weinig was to all intents and purposes the acting grand secretary.

According to the testimony of Mr. Louis Morris the cutting of assessment rates to favored lodges was a practice of long standing. He states that he did not institute it, but simply continued a practice which he found existent when he became grand master.

In regard to the deficiency of $11,635.10, $975 of it is accounted for by the fact that A. B. Jaworower, former counsel of the order, misappropriated to his own use the proceeds of two endowment checks of $500 and $475 respectively. We are informed that the order is making efforts to secure the return of this amount, but thus far without success.

We believe that Mr. Samuel Weinig, above mentioned, should be held responsible for his connection with the balance of the above shown shortage, especially from June 1, 1912, to on or about December 3, 1912, for which period he practically handled all the cash coming into the order. We find that during this period there is a difference of $3,100.85 between the actual receipts as shown by his private cash-book and the amount deposited in bank, taking into consideration the cash on hand May 31, 1912, and disbursements entered on the cash-book as having been made in cash.

The following statement shows the receipts, cash disbursements, and amounts deposited in bank, by months, from June to November, 1912, inclusive:

Cash balance May 31, 1912		$1,786 97
Receipts as per private cash book:		
June	$7,944 84	
July	10,632 60	
August	11,468 73	
September	7,466 49	
October	11,191 73	
November	10,327 48	
Total receipts		59,031 87
Total		$60,818 84
Less cash disbursements:		
June	$75 65	
July	94 50	
October	70 50	
November	229 68	
Total		470 33
Net cash received		$60,348 51
Bank deposits:		
June	$8,571 25	
July	10,835 05	
August	10,454 43	
September	6,147 32	
October	11,440 88	
November	9,798 73	
Total deposits		57,247 66
Balance unaccounted for		$3,100 85

We believe the conditions above set forth warrant the matter being brought to the attention of the district attorney of this county for further investigation. The order is not in possession of any fidelity bonds given by its officers or employes prior to February 13, 1913, so far as we are able to ascertain, although former Grand Master Morris testified that he understood former Grand Secretary Herman was bonded in favor of the order. Upon February 13, 1913, fidelity bonds were procured from the Fidelity and Casualty Company in the sum of $1,000 each for Louis Fox, the grand treasurer, Isidor Berman, the acting grand secretary, and Sophie Epstein, the bookkeeper and cashier.

The present condition of the order in no way reflects discredit upon the present officers who, we believe, are doing all they can to put the organization on a sound basis. Many improvements have been made in the matter of keeping the books and records, and there seems to be every indication that this administration is profiting by the mistakes of former days.

It should also, in justice to the present officers, be said that the increase in the liabilities shown in this report over the amount stated in the last report on examination, made one year previous, is due largely to the fact that many death claims which had accrued at that time were not entered on the claim-book, nor in any way submitted to the examiners. This is but another instance of the unscrupulous methods in vogue at that time.

The item entered in the above statement of liabilities designated "unpaid bills $3,510.07" includes a claim made by a former grand messenger, Abraham Nagelberg, amounting to $1,200. Liability on certain items of this claim is disputed by the present management.

Filed with this report are affidavits of Grand Master Leonard A. Snitkin, and Acting Grand Secretary Isidor Berman, concerning unpaid claims for endowments on date of this examination; also testimony of Mr. Louis Morris, former grand master.

THE AMERICAN BENEFIT ASSOCIATION

White Plains, N. Y.

Examination on organization, financial condition October 14, 1912.

Date of report, October 21, 1912.

Examiner: Clarence J. Norton.

An examination of the applications submitted shows that a total of 1,613 persons have each subscribed in writing to become beneficiary members of the association, each to be insured for $250, aggregating an amount of $403,250; that 1 per cent. of the amount of each person's insurance subscribed for has been paid in by each member respectively; that the aggregate amount of $4,032.50, representing 1 per cent. of the total amount of insurance subscribed for, was on deposit in bank on above date to the credit of the said association. The records of the new association show receipts of $6,069.20 and disbursements of $1,854, with a net balance of $4,215.20, and this amount was in bank to credit of said association on date of this examination. The above disbursements represent moneys returned to subscribers through their councils. The excess amount now on hand, $182.70, over the required 1 per cent. of the insurance subscribed for — per applications filed — the officers explained, was caused by some of the original subscribers not having signed and returned the new form of application, although their subscription, 1 per cent., was paid when first application was filed.

It appears that this association is composed of members of a voluntary association, which is doing business under the same name (American Benefit Association), organized April 29, 1899, and insuring only members of the Junior Order United American Mechanics. It is said the voluntary association will cease doing business after the incorporated association has been fully organized.

The members of the voluntary association being desirous of obtaining all the privileges accorded fraternal beneficiary societies organized under the Insurance Law, have taken proper legal steps to obtain a preliminary certificate of incorporation, and

the same was issued by former State Superintendent Hotchkiss in March, 1911.

The following are present officers of the new association:

Charles Ehret, President.
Frederick E. Parker, Secretary.
Edward J. Bridges, Treasurer.

Filed with the papers of this examination are schedules giving names of the subscribers, etc., and an affidavit of Frederick E. Parker and Edward J. Bridges, secretary and treasurer respectively of the said new association is attached hereto.

INDEPENDENT ORDER BRITH ABRAHAM OF THE UNITED STATES OF AMERICA

NEW YORK, N. Y.

Examination on condition as of December 31, 1912.
Report dated March 24, 1913.
Examiners: Wilbur F. German and William A. Billingham.

	Ledger Assets		
Cash in bank on interest		$104,474 78	
Cash in bank not on interest		18,318 90	
Mortgage loans on real estate		126,500 00	
Real estate owned	$29,373 90		
Less mortgage incumbrance	10,000 00		
		19,373 90	
New York City bonds		250,000 00	
Total Ledger Assets			$518,667 58
	Non-Ledger Assets		
Interest accrued		$5,478 20	
Assessments in course of collection not over thirty days due		26,008 76	
Total Non-Ledger Assets			31,486 96
Total Assets			$550,154 54

Deduct Assets Not Admitted		
Book value of bonds over market value		$3,200 00
Total Admitted Assets		$546,954 54
Liabilities		
Death claims	$137,000 00	
Accrued bills	254 39	
Headstone deposits	4,150 00	
Total Liabilities		141,404 39
Balance of Assets over Liabilities		$405,550 15

A statement of the income and disbursements for the year ending December 31, 1912, is as follows:

Balance Ledger Assets, December 31, 1911		$489,916 95
Income		
Assessments	$607,609 53	
Charity fund, from entertainments	13,048 97	
Lodge supplies	489 98	
Withdrawal card fees	275 00	
Certificate fees	3,068 60	
Headstone deposits	5,164 25	
Interest from all sources	19,753 26	
Total Income		649,409 59
Total		$1,139,326 54
Disbursements		
Death claims	$549,430 02	
Reimbursements to Leon Sanders, Grand Master, by convention, for expenses incurred	2,000 00	
Donations by convention:		
To H. Hershkowitz	1,638 08	
To District Deputy of Philadelphia, Pa	100 00	
Donations by executive committee:		
To Emanuel Pisko	400 00	
To Lawrence strikers	1,532 00	
To Jos. Blaustein	300 00	
To M. Blatzner	100 00	
To A. Jablinowsky	100 00	
Charitable donations:		
From general fund $7,580 00		
From charity fund 10,574 09		
	18,154 09	

Withdrawal fees	$242 25	
Donation to employees	257 00	
Building alterations, furniture, etc	3,138 76	
Picnics, entertainments, etc	1,037 80	
Care of cemetery	1,561 00	
Headstones and reserve graves, deposits returned	4,437 60	
Adjustment of book value of bonds to par value	3,425 00	
Management expenses	32,805 36	
Total Disbursements		$620,658 96
Balance (ledger assets)		$518,667 58

ORGANIZATION

This association commenced business as a fraternal beneficiary order on February 7, 1887, and was reincorporated under article VII of the New York insurance law in 1894. It carries on business strictly on the assessment plan, levying assessments for each fund separately, through the subordinate lodges. It issues death benefit certificates in the sum of $500 and accepts as members Hebrew people exclusively, both male and female. The rates of assessments charged are the same for all members, regardless of age.

RESERVE FUND

The assessment for this fund is 20 cents per year for each member, and the constitution provides that same shall not be used for any purpose whatever, other than safe investment, except in case of emergency to pay death benefits, and only upon the consent of three-quarters of the subordinate lodges by a two-thirds majority vote of the members of each.

The balance to the credit of this fund at the time of this examination was invested in cash deposited in banks, mortgage loans on real estate, New York City bonds and a certain sum advanced to the general fund for the purchase of the real estate which is used as the home office of the order. The method of carrying the latter will be set forth later in this report under the caption, "Purchase of building."

A statement of the income and disbursements of this fund for the year ending December 31, 1912, is as follows:

Balance December 31, 1911		$398,943 57
Income		
Assessments	$32,576 27	
Interest on mortgage loans	6,612 47	
Interest on bonds	9,916 55	
Interest on bank balances	1,776 28	
Total Income		50,881 57
Total		$449,825 14
Disbursements		
Adjustment of book value of bonds to par		3,450 00
Balance December 31, 1912		$446,375 14

GENERAL FUND

The general fund is the expense fund. At the last convention held in May, 1912, a resolution was adopted whereby the members are assessed 15 cents each per annum to provide for this fund, and, in addition, the interest received on the moneys of the endowment fund is credited thereto.

The question arises whether the use of interest earned on the moneys of the endowment fund for general expenses is in violation of sub-section 4 of section 233 of the insurance law, which reads as follows:

"Every provision of the laws of a society for payment by its members, in whatever form made, shall distinctly state the purpose of the same and the proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes, or the net accretions of either or any of said funds, shall be used for expenses."

A statement of the income and disbursements of the general fund for the year ending December 31, 1912, is as follows:

Balance December 31, 1911		$1,153 95
Income		
Assessments, interest and miscellaneous items.	$30,700 88	
Transferred from endowment fund	9,000 00	
Charity receipts credited to this fund	11,384 66	
Transferred from charity fund	2,466 51	
Total Income		53,552 05
Total		$54,706 00

Disbursements

General expenses	$39,118 37	
Charity donations	10,750 08	
Transferred to charity fund	2,000 00	
Total Disbursements		$51,868 45
Balance December 31, 1912		$2,837 55

CHARITY FUND

Prior to the last convention the income of the charity fund was not derived from any regular assessments on the members, but by means of entertainments, balls, picnics, etc. At the said convention, however, the following resolution was adopted:

"That in addition to the sum fixed as a per capita tax necessary for the proper management of our Order an additional sum of ten cents be added as heretofore to the per capita tax, which shall be laid aside for the use of the Committee on Charity for distribution among those entitled to our consideration and support."

It seems that until December 31, 1912, the receipts for charity were credited to either the general fund or the charity fund. On the above date, however, we find a transfer of $2,466.51 from the charity fund to the general fund. In explanation of this it was stated by the bookkeeper that this sum represents the amount due the general fund to balance accounts for the year 1912. It appears, however, that the above amount is too large by the sum of $1,101.09, according to the following statement of receipts and disbursements of the general fund for charity during the said period taken from the order's records:

Receipts

Items credited directly	$11,384 66	
Transferred from charity fund	2,466 51	
Total		$13,851 17

Disbursements

Donations	$10,750 08	
Transferred to charity fund	2,000 00	
Total		12,750 08
Balance due charity fund		$1,101 09

Section 8 of the constitution provides in part as follows:

"The committee on charity shall consist of fifteen members, including the chairman, who shall investigate all applications of members in distress referred to it by the executive committee. Applications for relief must be made to the executive committee through the lodge of the member making the application and must be signed by its president and its secretary and bear the seal of the lodge. The committee on charity shall, after due investigation, have the power to allow not more than fifty dollars for such relief; and shall not have the power to allow a larger amount unless the matter is submitted to and granted by the executive committee."

The actual practice of the charity committee when an application for charity is received, is to refer the matter to a sub-committee for investigation and upon receiving a favorable report from such sub-committee, a single check is issued for the amount of the donation, signed by the grand master, grand secretary and the chairman of the charity committee. It is stated by the officers of the order, however, that in many cases it is deemed inexpedient to pay to a beneficiary in one amount the sum donated to him, the idea being that it were better to pay over smaller amounts at intervals that the money may be used to the best advantage. In order to carry out this plan the practice in such cases has been to issue checks for the full amount payable to the beneficiary or bearer. The checks are then cashed by the grand secretary and the proceeds placed to the credit of his private account, from which he pays out the instalments above stated.

We believe this procedure is wrong in principle and should be corrected immediately. We would respectfully suggest that the chairman of the charity board have full control of such matters, except the signing of checks should continue as heretofore. We believe that when a certain donation is to be paid in instalments the proper way to handle it is by issuing a check for each instalment at once, payable to the order of the beneficiary, and the checks handed over to him, as his needs require, either by the chairman of the charity committee or the grand secretary. It would be well, also, for the chairman of the charity committee to use a small ledger for this work, crediting each donee in a separate account with the amount donated, and charging him with each instalment. The charity department should be kept wholly separate from the other affairs of the order and the

books, records and canceled checks be under the control of the chairman who should be held solely responsible for the proper care thereof.

A statement of the charity fund for the year ending December 31, 1912, is as follows:

Income

Balance December 31, 1911		$517 83
Income, tickets, donations, etc	$13,048 97	
Transferred from general fund	2,000 00	
Total Income		15,048 97
Total		$15,566 80

Disbursements

Donations, etc.	$11,911 89	
Transferred to general fund	2,466 51	
Total Disbursements		14,378 40
Balance		$1,188 40

MORTUARY OR ENDOWMENT FUND

The mortuary or endowment fund is maintained by assessments upon the local lodges according to the number of deaths. The rate is the same for all members regardless of age. For a number of years past it has been fixed nominally by the convention at ½¢ per death upon each member of the order, but it appears that if this rate were actually levied for all the deaths it would produce a large surplus — in fact over $800 for each benefit, whereas the amount payable is the same in all cases, viz.: $500. Hence, the practice of the management is to levy an assessment of ½¢ upon the membership for the number of deaths necessary to produce the amount to satisfy the total benefits due each month. The result is that the actual cost is much less than ½¢ for each death per member.

A statement of the income and disbursements of this fund for the period of this examination follows:

Balance December 31, 1911	$78,049 23

Income

Assessments	534,138 58
Total	$612,187 81

Disbursements

Benefits	$549,430 02	
Transferred to general fund	9,000 00	
Total Disbursements		$558,430 02
Balance December 31, 1912		$53,757 79

CEMETERY FUND

Approximately 175 lodges of Greater New York contribute to the cemetery fund. The order owns four different sections in Washington Cemetery, having purchased them at various times. All were paid for and are maintained by assessments on the said lodges amounting to ten cents per member annually. Headstones are required for all graves and the actual cost, not exceeding $25 for same, is deducted from the amount of the endowment. The members of these lodges are entitled to a burial plot without further charge. In the event, however, the widow of the deceased desires a grave adjoining that of her husband she is required to pay to the order the sum of $25.

The following is a statement of this fund for the year ending December 31, 1912:

Balance December 31, 1911	$11,252 37

Income

Assessments, headstone deposits, interest, etc	9,254 93
Total	$20,507 30

Disbursements

Headstone deposits returned, care of cemetery, etc	5,998 60
Balance December 31, 1912	$14,508 70

MINORS' FUND

Section 15, article X of the constitution provides as follows:

"Sec. 15. All moneys due for death benefit to minor children who are beneficiaries of a deceased member shall be deposited in a savings bank at interest, each death benefit to be deposited in a separate account in the name of the Order as trustee for such minor or minors, and not to be withdrawn therefrom nor paid to the beneficiaries until said minors reach the age of majority, unless a guardian of the property of such minors shall be duly appointed by a Surrogate Court or other Court of competent jurisdiction, to

which guardian such death benefit may be paid for such minors upon production of a certificate of the appointment issued by such Court and proper proof thereof, and upon the execution of such a release as shall be required by the Executive Committee."

Past Grand Master S. Schelinsky, was elected trustee of this fund by the convention. The amount of each such benefit is supposed to be deposited in a savings bank account in the name of the order as trustee. However, several books were found which were not in the name of the order as trustee, and, upon taking the matter up with the grand trustee, assurance was given that wherever possible such books would be changed in accordance with the section of the constitution above mentioned.

An account book is kept showing alphabetically the amount standing to the credit of each minor. This was compared with the bank books and found to agree. The total amount of this fund was $30,919.86 at the time of this examination.

It seems that prior to December 28, 1912, the method followed, in finally settling with a minor, was for the grand trustee to draw the amount of the account from the savings bank and deposit it to the credit of his private account and then issue his private check to the beneficiary. Since the above date, however, the procedure has been to re-deposit such moneys in a special account in the Germania Bank and to issue checks on this fund in settlement.

We recommend that the trustee of this department open up a ledger in which the amount due each minor be credited in a separate account and interest added thereto when declared by the savings banks. This would consume very little time after the current accounts are properly transferred, and the result would be much more satisfactory to auditors and examiners, as well as to the trustee himself.

PETTY CASH ACCOUNT

Section 5, article VI, of the constitution provides that "No check drawn by the grand secretary upon the general account shall be valid, or paid, unless the same is countersigned by the grand master and grand treasurer." However, during 1912 over $17,000 was disbursed by the grand secretary by checks bearing

only his signature, by virtue of a resolution of the executive committee, dated October 30, 1911, granting the grand secretary $1,000 per month to be deposited in bank and used for petty expenses. There was, however, an average of nearly $1,500 per month deposited to the latter's credit. In the opinion of your examiners he does not confine this amount strictly to the payment of petty cash items; neither does he pay same by check, but instead uses cash received in office and then issues checks to either his own order or in favor of the order, and deposits them as daily receipts in lieu of cash.

The vouchers covering these disbursements are practically worthless as a means of verification, very few indeed being receipted by the parties to whom the money was paid, or signed by any officer of the society other than the grand secretary.

Considerable difficulty was experienced in endeavoring to verify this account. The checks were not numbered until requested by your examiners, stubs were blank in several instances, the checks missing having apparently been spoiled or destroyed, and the whole account shows very careless business methods, to say the least.

Your examiners are of the opinion that all checks should be drawn to the order of the payee, receipts demanded and properly filed; that the petty cash account should either be abolished or the checks be properly signed, as provided for in the constitution; otherwise the account is subject to grave abuses.

Purchase of Building

Upon recommendation of the grand master, the last convention authorized the executive committee to purchase the property at 37 East 7th street, New York City, for the sum of $19,000, plus the actual cost of alterations. This building has been used by the Grand Lodge as its headquarters for a number of years. Accordingly the property was purchased from Mr. Max Schwartz, First Deputy Grand Master of the Order, for the sum of $29,373.90. At the time of purchase there was a first mortgage of $10,000 in favor of the Dry Dock Savings Bank, which institution refused to allow the order to redeem the title of the property until maturity.

The resolution of the convention stated that the cash necessary for this purpose should be borrowed from the reserve fund, giving to that fund a mortgage upon the property containing a provision that the said loan may be reduced as often as the executive committee finds it possible or convenient to do so. Of course no mortgage to the reserve fund could be given, but the order's method in handling this asset is to treat it as a mortgage loan from the reserve fund, and it so enters it in the annual statement to the insurance department. In our opinion this should be changed and the item carried according to its true nature.

The annual rent being charged for the space occupied by the order is $2,600. The plan is to transfer the balance of the annual rental, after the payment of interest, taxes, insurance and repairs, etc., to the reserve fund, to apply on the amount borrowed from it. It is said that there will be a saving each year on this account, and that within a comparatively short time the building will be held and owned by the order in its general fund account. The grand secretary occupies the third floor of the building, for which he pays the order $25 per month.

The following is a statement of income and disbursements of the building fund from July 15 to December 31, 1912:

Income		
Received for rent		$1,583 00
Disbursements		
Interest on mortgage	$225 00	
Interest to reserve fund	387 47	
Taxes and water rent	175 99	
Insurance	255 20	
Total Disbursements		1,043 66
Balance		$539 34

DONATION TO LAWRENCE STRIKERS

This represents a voluntary contribution made by the members of the order for the benefit of the striking mill workers at Lawrence, Mass., handled through the grand lodge through the second deputy grand master, J. L. Simon, of Massachusetts.

Donations by Convention

The last convention passed resolutions granting the following donations:

To Past Grand Master Hershkowitz, on account of his physical and financial condition and in consideration of the services rendered by him to the order in the past, amounting to a tax of 1 cent on each member of the order. The sum paid on this account was $1,638.08.

To Leon Sanders, the present Grand Master, for the purpose of reimbursing him for the personal expenses incurred on behalf of the order during the year. This amounted to $2,000.

Embezzlement of A. B. Jaworower

On October 2, 1912, the grand master, Mr. Leon Sanders, received a letter from Mr. George Sultan, deputy grand master of Illinois, advising that Mr. Jaworower, the counsel of the order had been sending out his own personal checks in payment of endowments and that in several instances such checks had been protested for non-payment. Mr. Sultan protested vigorously against this method of transacting the order's business.

The minutes of the executive committee show that upon receiving such letter the grand master made inquiry of Grand Secretary Schoen as to why it was that Jaworower paid endowments with his own personal checks, and also caused an investigation to be made to ascertain whether all releases were in the order's files for claims supposed to be paid. It was then disclosed, according to a transcript of "Record of the proceedings at the special meeting of the executive board held on Saturday, November 16, 1912," that it had been a custom of the grand secretary to deliver checks to counselor Jaworower in cases "where there was some litigation, or different claimants, or where there was some special releases to be signed, and that he turned these checks over to him with instructions to do whatever is necessary for him to do as counsel and after delivering the checks to the proper parties to return to Mr. Schoen releases."

The minutes of the executive committee show further that Grand Master Sanders secured from Jaworower a confession that he had embezzled funds of the order to the amount of $7,730.

In the meantime Grand Secretary Schoen had been looking up old claim papers and cancelled endowment checks, and found many cases where Jaworower had filled in his own name as attorney as payee of checks, when checks had been delivered to him with no name of payee inserted, other cases where Jaworower had interlined after the name of the payee "or A. B. Jaworower, Atty., &c.," and in one case where Jaworower had erased the name of the payee with acid and inserted his own name as attorney instead. In all of these cases Mr. Jaworower deposited the checks in his own personal bank account. In many instances properly executed releases were found, but in several others such releases were not found.

A demand was made on Jaworower that he make good the amount he had embezzled, and on his failure to do so the grand master caused his arrest, and reported the matter to the executive board. The latter appointed a special committee to investigate the matter, and it reported February 20, 1913, that the embezzlements of Jaworower amounted to $15,683.89, besides a salary advance of $500.

Mr. Jaworower is now at liberty, bail having been provided in the sum of $5,000. The grand master states that he (Jaworower) is making efforts to raise the money necessary to make good the losses to the order, but thus far without success.

Your examiners have examined the endowment claim papers, releases and checks to an extent sufficient to convince them that the figures submitted by the special committee are correct.

It should be stated that the order has issued new checks to the persons who were the victims of Jaworower, and said checks have been duly paid over, according to the records.

The question of who is responsible for the business methods which made possible these embezzlements is a natural one, and the special investigating committee appointed by the grand master called witnesses and took testimony (not under oath) for the purpose, apparently, of reaching a conclusion in this regard.

The constitution of the order provides (section 9) that all death benefit checks shall be signed by the grand master, grand secretary and endowment treasurer. It appears, however, that the practice has obtained of signing checks in blank in cases

where the grand secretary claimed there was some question as to who was the beneficiary, and in such cases signed checks were entrusted to the grand secretary for safekeeping until delivery. It seems that Grand Secretary Schoen admitted that when the grand master objected to signing blank checks he assured the latter that such checks would remain in his possession until the proper names were filled in. The fact is, however, that the grand secretary delivered many signed checks on which the name of a payee did not appear. When asked about this the latter stated that he never gave Jaworower any blank checks except in cases where there was a question as to who was entitled to the money. He stated, according to the testimony, that, until his attention was called to the matter by the grand master, after the Sultan letter was received, he never knew that checks were returned from bank bearing Jaworower's name on their face. The fact seems to be that Mr. Schoen never himself examined, nor caused to be examined, any checks returned from the bank. If he had done so he would have discovered that all through the years 1910, 1911 and 1912 there were many such checks returned. Also, if any systematic checking had been done to ascertain whether properly executed releases were on file, it would have been found throughout the years 1911 and 1912 that many files did not contain proper releases, checks for which had been delivered to Jaworower, and that in a number of cases releases were entirely missing.

In his testimony Mr. Schoen has sought to shift the burden of responsibility for examining returned checks to the bookkeeper. While it is undoubtedly true that the latter ought to have noted and reported these irregularities, especially in those cases where the payee's name had been chemically erased and also where Jaworower's name had been interlined as payee, yet this does not relieve the grand secretary of responsibility, because he knew that he had delivered to Jaworower many signed checks where the payee's name had been left blank, and it would seem that ordinary prudence demanded that he should be at some pains to ascertain whether such checks had been properly filled out in favor of the beneficiaries. In fact he admits on page 87 of testimony that there may have been complaints made to him on account of

non-payment of endowments, but that he did not give any weight to it because he trusted the man. If he had at any time made an investigation with this object in view, Jaworower's crooked proceedings would have been apparent to him at once.

Furthermore, it does not appear that in delivering checks to Jaworower, Schoen confined himself to cases where there was litigation, or where there was some question as to beneficiaries, as he testified. The Glemby case is one of those where there was no question about beneficiary (page 91 of testimony); the Koppelman, Rubin and Kwellwasser cases were others. No apparent reason exists why payment of these claims should have been made through counsel. In all of these cases except the Koppelman case, Jaworower embezzled the funds. But what are known as the Brusower-Grayver cases probably afford as flagrant an example as any concerning these crooked transactions. The facts in connection therewith appear to be as follows:

The testimony shows (page 85) that on or about October 6, 1912, the grand master instructed Mr. Schoen not to deliver any more checks to Jaworower. Subsequently (see page 84 and 96 of testimony), Mr. Schoen delivered a check to Jaworower in payment of the Brusower endowment. Later on the widow made claim for the endowment, and, in response to Mr. Schoen's request, Jaworower came to the office of the order, and upon learning the situation he gave the widow his own personal check in payment of her claim. After the widow had departed Jaworower informed Mr. Schoen that he did not have any funds in bank to meet the check he had just given. Thereupon Mr. Schoen gave Jaworower an endowment check of the order, which had been made out in payment of the "Grayver case," (check No. 15355) and said: "You deposit this check and I will deposit the cash for it in the bank." This check was cashed by the bank on October 29, 1912.

Here, then, is a case where Mr. Schoen delivered to Jaworower a signed blank check for the express purpose of enabling the latter to make an improper use of it, namely, to deposit it to his own personal credit to make good his bank account so as to meet a personal check which he had given to make good a sum previously misappropriated. Examination of the Brusower check shows that

Jaworower inserted after the name of payee, "Tillie Brusower" the words "or A. B. Jaworower, Atty., &c."

It has been intimated by Mr. Schoen to your examiners that the fact that blank checks were delivered to Mr. Jaworower is not of much importance, since Jaworower did not confine his embezzlements to the proceeds of such checks, but also inserted his name as payee in checks wherein the name of payees were written. Examination reveals the fact that a number of checks were given to Jaworower in blank before he began the practice of inserting his own name as an alternative payee.

While your examiners are of the opinion, after a careful examination, that to Grand Secretary Schoen attaches the great weight of responsibility in this matter, nevertheless we believe the grand master, the acting grand master and the endowment treasurer are also responsible. The purpose of the order in adopting a provision in its constitution that all endowment checks should be signed by the grand master, the endowment treasurer and the grand secretary, could have been none other than to throw around the disbursement of these funds proper safeguards, and when the grand master and endowment treasurer signed checks wherein the names of payees were not inserted, they thereby nullified those safeguards which it was intended should be afforded when that provision was incorporated in the constitution. It is the fact, however, that the grand master, as soon as the true condition of things was brought to his attention, took immediate steps to correct the abuses.

Pursuant to a recommendation of the special investigating committee the executive board has adopted a resolution which, it is believed, will make impossible a repetition of embezzlements like these. The resolution referred to provides, in effect, that checks in payment of all claims for endowments shall be signed by the grand master, grand secretary and endowment treasurer, and made payable to the beneficiaries, and where the names of the beneficiaries are unknown or in doubt, that check shall be drawn to the order of the Independent Order Brith Abraham as trustee for the benefit of the beneficiaries or heirs; that such checks shall be deposited by the grand trustee in a savings bank in the name of the order as trustee; that a draft on such account shall require

the signature of the grand master, grand secretary and grand trustee; that savings banks be required to pay any draft upon such accounts by check or draft to the order of the order as trustee; that such checks received from savings banks shall be deposited in a special acount to be known as the "Unclaimed Endowment Account," and that payment to heirs of deceased members shall be made by check drawn upon this special account, which shall require the signature of the grand master, grand secretary and grand trustee.

It is further provided that the grand secretary shall be directed to open a special account in which shall be entered the names of all unclaimed or unpaid endowments, and that within two days after endowments are usually paid he shall prepare a list in duplicate form containing a transcript of such account and deliver one copy thereof to the grand master and another copy to the grand trustee; that the grand secretary shall at the same time deliver to the grand trustee all checks which are to be deposited to the credit of the order as trustee and obtain the grand trustee's receipt therefor.

TRANSFER OF FUNDS

Attention is respectfully called to the transfer of $9,000 from the endowment fund to the general fund. It was stated that this amount was merely borrowed from the endowment fund to relieve the general fund pending the next collection of the per capita tax.

ANNUAL STATEMENT

The annual statement which has been filed since the beginning of this examination does not agree with this report in the following particulars:

(1) The equity in the real estate owned, as hereinbefore mentioned, is carried as a mortgage credited to the reserve fund.

(2) No charge is made in the statement of liabilities for headstone deposits and accrued bills, which we have entered in the above statement as $4,150 and $254.39 respectively.

(3) The order carries in its statement an item of $9,000 as a liability for borrowed money. It is presumed that this represents the amount loaned the general fund by the endowment fund,

mentioned above, but this is a transfer, and while the former fund is liable for its return, it is not a liability of the order in the ordinary sense.

Membership and Insurance

The membership on December 31, 1912, was 172,226. Each member is insured for $500. The number of subordinate lodges was 666. The order transacts business in 25 states and the District of Columbia.

Investments

In the opinion of your examiners the investments of this order are of a high class, being in first mortgages and New York City bonds, with the real estate used as a home office building, above referred to. The latter has not been appraised by this department, credit being given for the amount carried as its cost value.

Conclusion

It is apparent from the foregoing report that this order's usefulness is well established. The beneficial nature of the insurance which it provides to a class of citizens which are particularly in need of such protection, together with the educational, social and eleemosynary service it renders to its members, makes it indeed an institution worthy of the highest consideration. Its business management shows much improvement over that prevailing on former examinations, but it is not yet ideal. In other words, it is not being conducted on that high plane of business efficiency which an organization like this is worthy of.

It should be realized, of course, that an institution of this kind cannot be fully or perfectly developed in a comparatively short time, and it should also be realized that the officers of this order are handicapped in the matter of details in dealing with a large body of uneducated persons, some of whom are elected to office in the local lodges, but this does not excuse them from the responsibility of providing men and methods which will eliminate, so far as possible, the opportunities for larceny. The extra cost of such service when spread over the whole membership is small.

In addition to the recommendations hereinbefore made we would respectfully add the following:

(1) That this report be printed and a quantity of the copies be sent to the grand master for distribution among the local lodges.

(2) That the minutes of the various boards be hereafter recorded in the English language.

(3) That the grand secretary cease endorsing checks personally unless drawn directly to his order.

(4) That the cashing of checks by the order be discouraged.

(5) That all cash book entries show the exact dates of all transactions.

CATHOLIC RELIEF AND BENEFICIARY ASSOCIATION

AUBURN, N. Y.

Examination on condition as of October 31, 1912.
Report dated November 23, 1912.
Examiners: John L. Train, Clarence J. Norton.

This association was incorporated January 31, 1893. It transacts the business of insurance on the assessment plan under the lodge system, and insures Roman Catholics only, of both sexes, between the ages of 16 and 50 years.

The following is a statement of the income and disbursements from October 1, 1911, to October 31, 1912, inclusive, covering a period of thirteen months. This period is used for the purpose of including completely the financial transactions of the present administration.

Balance ledger assets September 30, 1911		$79,132 44
Income		
Assessments, fees and per capita tax	$154,720 40	
Interest	3,301 81	
Miscellaneous	1,641 29	
Total income		159,663 50
Total		$238,795 94

Disbursements		
Death claims	$132,883 70	
Relief claims	6,500 00	
Total paid to members	$139,383 70	
Assessments returned	4 56	
Decrease in book value of mortgage	77 22	
Management expenses	12,871 56	
Total Disbursements		$152,337 04
Balance ledger assets, October 31, 1912		$86,458 90

The ratio of expense of management to the total premium income received for the above period is $8\frac{3}{10}$ per cent., which is comparatively low.

We find the financial condition of the association, as of October 31, 1912, to be as follows:

Ledger Assets		
Mortgage loans	$37,920 85	
Bonds, book value	331 95	
Cash in banks and in office	48,206 10	
Total ledger assets		$86,458 90
Non-Ledger Assets		
Interest due and accrued on mortgages	$573 53	
Assessments collected by subordinate lodges, not yet turned over to the supreme council (estimated)	20,786 16	
		21,359 69
Gross assets		$107,818 59
Deduct Assets Not Admitted		
Book value of bonds over market value		331 95
Total admitted assets		$107,486 64
Liabilities		
Unpaid death claims	$40,078 78	
Unpaid relief claims	280 00	
Bills, salaries, etc., due and accrued	1,320 20	
Total liabilities		41,678 98
Balance		$65,807 66

ASSETS

Mortgages: The association has sixteen loans on real estate, amounting to $37,920.85. Nine of the loans bear interest at the rate of 6 per cent., and seven at 5 per cent. A schedule of the mortgage loans is attached to this report.

Bond: The association owns one bond, which was due in 1904, issued by the city of Rochester and town of Gates. The face of the bond was $1,000 and there remains an unpaid balance of $331.95. It is doubtful whether this balance will be paid, and the amount thereof has been deducted as an asset not admitted.

The mortgages and the above bond are kept in the custody of the supreme president, who resides in Dunmore, Pa. We recommend that all assets of this character be kept in Auburn, N. Y., the home office of the association.

LIABILITIES

Unpaid Bills: As there has been some dispute over many of the items included as unpaid bills on October 31, 1912, a statement of the individual items is given as follows:

Charles T. Whelan	$79 96
James M. E. O'Grady	597 48
Mrs. Honora O'Neill for printing November, 1911, bulletin	254 79
Mrs. Honora O'Neill for supplies	32 00
Mrs. Honora O'Neill for profits on December, 1911, and January, 1912, bulletins	235 72
Rent	100 00
Fees of medical adviser	20 25
Total unpaid bills	$1,320 20

The following constitutes the disputed items:

Bills of Charles T. Whelan and James M. E. O'Grady: Former Supreme President O'Neill requested Mr. Whelan and Mr. O'Grady, to be present at the Pittsburg, Pa., convention held in September, 1911. The present administration claims that neither of the attorneys rendered any service to the association, but were employed personally by the said supreme president, and it has therefore refused to pay such bills from the funds of the association. The original bill rendered by Mr. O'Grady amounted to

$76.96. After this bill had been rejected by the trustees, Mr. O'Grady withdrew the same and rendered a new bill itemized as follows:

Legal services in various cases	$120 00
Services at Pittsburg	450 00
Disbursements at Pittsburg	27 48
Total	$597 48

It is stated that the association is willing to pay the $120 for legal services performed, but will reject the other items mentioned.

In our opinion a fee of $225 a day for services rendered at the convention, whether for the association or not, is exorbitant.

Bills of Mrs. Honora O'Neill: Mrs. O'Neill, prior to December, 1911, had printed and issued the monthly bulletin of the association for which she received 25 cents for each member. In November, 1911, the supreme president, Mr. Boland, notified her not to issue the bulletin. However, she did issue it for November, and her bill for that number amounted to $254.79. The supreme president refused to permit Mrs. O'Neill to issue any further editions, although the latter claimed she had a contract to issue the December, 1911, and January, 1912, numbers. A dispute having arisen as to the contract a summons in an action brought by Mrs. O'Neill was served on the association. No complaint was served with the summons, but we understand the suit was brought for the $254.79 due on the November edition, $235.72 as profits which she claims would have been made had she been permitted to issue the December and January bulletins, and $32 for supplies furnished the present printer of the bulletin. After due investigation, we believe that Mrs. O'Neill is entitled to her regular fee for the November edition of the bulletin, and we recommended to the present officers that it be paid, which was promptly done. The officers also agreed to pay the $32 for supplies if it should be found that they were actually furnished. As to the profits on the December and January bulletins, we express no opinion, believing that the question of liability can best be decided by the courts.

Changes in Officers and Trustees

The controversies now existing within the association have arisen since the Pittsburg convention held in September, 1911. Prior to that date any dissension within the association was personal, only, and did not affect the order as an entity. Various reasons have been assigned regarding the changes effected at the Pittsburg convention. It can be said that some of the trustees desired to remove the supreme recorder from her office. We have heard no criticism of her in her official capacity, all seeming to be agreed that she was capable and efficient. That it was a personal dispute mostly, seems to be the fact. We do not believe it our duty to express any opinion as to the merits of the case. Suffice it to say that there is nothing to show that the members themselves were affected or especially interested in its outcome. It did not affect them financially nor did it seriously affect the actual management of the order.

Prior to the convention of 1911, the following were the officers and trustees:

Supreme President, Thomas H. O'Neill.....Auburn, N. Y.
First Supreme Vice-President, Joseph P. Henry.....Rochester, N. Y.
Second Supreme Vice-President, Julia Simonson.....
Supreme Treasurer, James L. McGarr.....Auburn, N. Y.
Supreme Recorder, Margaret H. Graney.....Auburn, N. Y.

Supreme Trustees: Joseph P. Henry, Reverend W. F. Dougherty, Catherine F. McGee, Michael G. Langan, P. F. Milmoe, John Holihan, John Casey.

At the convention above mentioned, the following officers and trustees were elected:

Supreme President, Timothy E. Boland.....Dunmore, Pa.
First Supreme Vice-President, Michael J. Reynolds.....Marinette, Wis.
Second Supreme Vice-President, Helen Hines.....Albany, N. Y.
Supreme Recorder, Margaret Graney.....Auburn, N. Y.
Supreme Treasurer, James L. McGarr.....Auburn, N. Y.

Supreme Trustees: Joseph P. Henry, Reverend W. F. Dougherty, Catherine F. McGee, Michael G. Langan, Mrs. B. E. Flanagan, Frank Felts, Thomas P. Horan.

These officers were installed in September, 1911.

Charges Against Present Administration

The various charges made concerning the conduct of the affairs of the association since October 1, 1911, have been investigated by us, and we report thereon as follows:

1. It is charged that the levying of two additional assessments for the beneficiary fund, from which death claims are paid, was not warranted by the existing conditions. It seems that at a meeting of the board of trustees held on September 27, 1912, a resolution was adopted which provides for the levying of two extra assessments on all members for this fund, each being at the same rate as the regular monthly assessment. In pursuance of this resolution, the first assessment was called October 1, 1912, to be paid on or before November 1, 1912, and the second was called November 1, 1912, to be paid on or before December 1, 1912.

We find the claims unpaid on October 31, 1912, subdivided into two classes, to be as follows:

Approved, not due	$16,500 00
Not yet approved	6,500 00
Proofs incomplete	5,500 00
Doubt as to proper beneficiaries	1,878 78
Resisted	9,700 00
Total	$40,078 78

We find that the balance in the beneficiary fund on October 1, 1912, the date of the calling of the first assessment was $21.95, and the unpaid death claims amounted to $37.578.78, of which claims amounting to $9,700 was resisted.

As one assessment will produce only, approximately, $10,500, it is clear that all the death claims could not be promptly paid from one assessment. It should be the aim of every association to pay death claims promptly after approval, although the by-laws of this association provide that the payment of claims shall not be due until ninety days after approval. However, there is no contention that the claims should not be paid until due.

As shown above, the unpaid death claims on October 31, 1912, amounted to $40,078.78. The balance in the beneficiary fund on the same date was $3,931.53. It is therefore evident that the

death claims could not be promptly paid and that there was a necessity for levying additional assessments.

The association has agreed not to suspend any members who do not pay the extra assessments on or before the date due. The members should have at least thirty days after receipt of the official bulletin, which contains the notice of assessments, in which to pay such assessments. Up to November 15, 1912, $9,643.11 had been collected on assessment 168, the regular October call, and $4,101.44 on assessment 169, the special call.

2. It is charged that the association had no right to levy a per capita tax of $2 on the members.

At a meeting of the board of trustees held May 9, 1912, a resolution was adopted to appeal to each member to pay the sum of $2 to help in the upbuilding of the order. Such appeal was sent to the members in the form of a letter. From the wording of the letter it could be inferred that the amount collected was to be used for expenses. The officers, however, state that they intended to use this tax for the payment of death claims. Some of the members objected to paying this assessment and complaint was made to the Insurance Department that the assessment was illegal and not made in accordance with the by-laws or policy contracts. The Department requested an explanation of the association and on September 27, 1912, the previous resolution levying the said per capita tax was rescinded. Only $169 was collected on this call and this amount is held in a separate fund. Upon request of the members it has been used to apply on extra assessments now being collected.

It is admitted by the present officers that the levying of the extra per capita tax was not authorized by the by laws but it is claimed by them that as certain beneficiary funds had been used for expenses under the previous administration, in making good such transfers each member should pay the same amount, each having received the same benefit. This so-called transfer is referred to later in this report.

3. It is charged that after paying the convention expenses of 1911, the balance remaining from the July, 1911, assessment should be credited to the beneficiary fund.

At a meeting of the trustees held on June 8, 1911, the following resolution was adopted:

"It is resolved to take and credit to the General Fund all of the July, 1911, assessment for the purpose of meeting the expenses of the triennial convention to be held in Pittsburgh, Pa., September 12, 1911, and if there should be any balance from such assessment remaining after the expense of that convention was paid, such balance remaining should be placed to the credit of the Beneficiary Fund."

However, it appears that the call for the assessment appearing in the official bulletin in July, 1911, read:

"The amount realized from this call will be placed to the credit of the general fund, to meet requirements to October 1, 1911, balances remaining from this call at that time will be placed to the credit of the Beneficiary Fund."

There is a dispute as to how the call was changed so as to differ from the resolution adopted by the trustees. The call was signed by both Supreme President O'Neill and Supreme Recorder Graney. Unquestionably the resolution of the board of trustees controls and we believe that it should be complied with.

The total amount collected for the July, 1911, assessment was $10,267.36. The actual disbursements on account of the convention amounted to $6,070.99, and there remains unpaid disputed bills of $557.14. The balance, therefore, is now $3,638.93 and, in our opinion, this amount should be transferred from the general to the beneficiary fund. The present officers inform us that this will be done.

4. It is charged that the notices of deaths are not all printed in the bulletin.

Section 19 of the by-laws reads in part as follows:

"The supreme recorder shall thereupon publish an official notice of such death of the deceased member (after proofs of death are properly filled out.)"

The bulletin, however, prefaces the notices of death with this sentence:

"To our members: You are hereby officially notified of the death of the following named members, who, at the time of death, were entitled to all the benefits of the association."

It is charged that six claims have been paid for which no publication has been made in the bulletin. We find that it has been the

practice of the association not to include in the notices of death the claims which are resisted. This seems logical under the wording appearing in the bulletin, to wit, " were entitled to all the benefits of the association."

Of the six claims referred to us, three were resisted, one was compromised, one there was doubt as to the proper beneficiary and one was omitted which should have been included.

In our opinion all notices of the deaths of members should be printed in the bulletin, whether or not the proofs are complete. We believe the wording should be changed so that the members should not be able to infer that the current assessment call is levied to pay the death claims of only those deceased members whose names appear in that bulletin. We also recommend that the death claims paid be listed in the bulletin issued during the following month.

5. It is charged that payments have been paid to administrators of beneficiaries who predeceased surviving beneficiaries.

The by-laws prescribe that, in the event of the death of any beneficiary named in the certificate, prior to the death of the insured, the share of such beneficiary shall be divided equally among the surviving beneficiaries.

Five payments of death claims were referred to us for investigation concerning this charge. Of the five cases we find that in three the payments were made to administrators of beneficiaries who died after the insured. Such payments are legal. In one case the payment of the benefit was made to the legal guardian of seven minor children, to which there can be no objection. In the fifth case we find that the payment was not made in accordance with the by-laws. In this case there were two beneficiaries, one of whom predeceased the insured. One-half of the benefit, $250, was paid to the administrator and the remaining one-half to the other beneficiary. It appears that this claim was approved on August 1, 1911, by the former Supreme President O'Neill. It was paid on October 9, 1911, and the checks signed by Supreme President Boland. The payment to the administrator was probably illegal and it is recommended that a release be secured from the surviving beneficiary of any claim she may have against the association.

6. It is charged that in a few instances there has been extravagance in the payment of expenses, in that the present supreme president has been making useless trips and necessitating large payments for his expenses. We find that since October 1, 1911, the expense bills of the supreme president amount to $547.98. It is claimed by Mr. Boland that, on account of the charges made against his administration, he has been compelled to visit councils for the purpose of making explanations. In our opinion the expenses of the president do not appear exorbitant or unnecessary.

A further charge is made that one of the trustees received $11 to reimburse him for the expense of a dinner at which the trustees were present. The trustees are allowed $4 per diem and mileage while attending meetings. It does not seem to us, therefore, that this amount should have been paid and we recommend that each trustee repay to the order his proportionate share.

7. It is charged that the present administration is using the official bulletin of the association in making charges against the former administration.

The controversy between the two administrations reached such a point that anonymous circular letters were sent from Auburn, N. Y., to all the members of the association. These letters contained charges against the present administration. The October, 1912, bulletin contained a letter written to the Insurance Department of this State by Supreme Recorder Graney in answer to such charges and claiming that the collection of the July, 1911, assessment for general fund purposes was illegal, thus making that a charge against the administration of Mr. O'Neill. It is undoubtedly true that the official paper should contain an answer to any complaints made against the association. It should not, however, be used for vindictive purposes even though it is believed that the charges made against the administration were not justified.

We recommend that this report, which we believe contains a fair and impartial review of all the charges on both sides, be printed in full in the official bulletin so that the members will be put in possession of all the facts concerning the matters in dispute. Should any other complaints be made against the association, we

believe that they should first be brought to the attention of the Insurance Department for investigation, and the result of such investigation published.

8. It is charged that the trustees of the association have no power to engage a counsel and that his salary is an unnecessary expense.

The trustees at a meeting held on May 9, 1912, adopted a resolution to engage Frank M. Leary, of Auburn, N. Y., as counsel to the association and to enter into a contract with him at a salary of $500 per year and traveling expenses. It was arranged to date this salary from October 1, 1911, and that it should be in lieu of all other charges for fees that Mr. Leary might have against the association. We find that the following amounts have been paid to Mr. Leary from October 1, 1911, to October 31, 1912:

Date of payment	As salary	For expenses
May 10, 1912	$291 62	$20 00
August 20, 1912	166 65	35 05
October 31, 1912	41 66	19 50
	$499 93	$74 55

Mr. Leary has charge of all the legal matters pertaining to the association. He has, apart from his regular employment, installed a new system of accounting in the supreme recorder's office, which, in our opinion will be a great improvement over the former system. As the supreme president resides in Dunmore, Pa., it is almost necessary to have someone in Auburn to give advice concerning the affairs of the association.

During the year 1910, the legal expenses paid by the association amounted to $1,026.90 and in 1911, $1,120.46.

As to the power to engage counsel, section 110 of the constitution provides that:

"The board of trustees of the Supreme Council shall make all contracts not otherwise provided for, and make a report of their actions to the Supreme Council."

Also —

"Save to make, alter or amend the laws, except as herein provided, they shall, with the supreme president, have the same powers during the recess of the Supreme Council as said Council has while in session."

Funds Used for General Expenses

For a number of years prior to January, 1912, the notice of assessment stated that the assessment would be placed to the credit of the beneficiary fund "excepting such amounts as are realized on assessments paid by members who entered the association since (date six months previous), which will be placed in the general fund."

Pursuant to a resolution of the board of trustees and as provided in the notice of assessment, all of the regular monthly assessment levied in July, 1911, and amounting to $10,267.36, was placed to the credit of the general fund.

It is claimed by the administration which was in control prior to October 1, 1911, that this could be done under section 9 of the constitution, which reads:

"Purpose of assessment.—The supreme recorder, when making a call for an assessment, shall state the purpose of such a call, and what percentage or amount thereof is to applied to the different funds."

However, section 7 of the petition of incorporators states:

"A general fund shall be established and maintained by dues, fees and penalties as provided in by-laws of the society."

Also, in article 3, section 6, of the constitution the following appears under the heading "Beneficiary Fund":

"The member shall pay not less than one assessment each month."

Further, under the same heading, "Beneficiary Fund," section 8 provides:

"Not less than one assessment shall be levied each month."

It therefore would appear that if certain monthly assessments from part of the members, or if one monthly assessment from all the members is used for general fund purposes, the members would not pay one assessment each month into the beneficiary fund. The constitution contains no definite provision as to what receipts shall be credited to the general fund. The laws of the order are capable of two constructions and are inconsistent regarding the moneys that can be used for expenses. It is recommended that the next convention amend and clarify the provisions of the

by-laws regarding the general fund. In our opinion at least one assessment per month should be levied on each member for the beneficiary fund, and that any deviation from this rule weakens the financial strength of the association. No assessments from any of the members have been used for expenses since January 1, 1912.

Rates

All the members of the association should understand that their rates of assessment ought at least equal the National Fraternal Congress table of rates and that the portion of their assessments not needed for current mortality should be reserved and properly invested. The said table is constructed scientifically, being based upon the number of deaths per year at various ages among thousands of members of fraternal associations. If a lesser rate is paid by the members, a deficiency will constantly accumulate until the time comes when it will have to be provided for by prohibitive assessments, or financial disaster will ensue.

It was not until January 1, 1912, that this association adopted the National Fraternal Congress table of rates and this affects only new members. A comparison of the three rates at various ages now being paid by the members for each thousand dollars of insurance is shown as follows:

Ages	I Rate paid by all members initiated prior to Nov. 1, 1898	II Step rate paid by members initiated between Nov. 1, 1898 and Jan. 1, 1912	III Rate paid by new members initiated after Jan. 1, 1912
18	.75	.70	.90
20	.78	.74	.92
25	.84	.80	1.04
30	.92	.85	1.22
35	.99	.90	1.45
40	1.14	.99	1.76
45	1.35	1.10	2.16
50	1.65	1.41	2.71
55	No members initiated over 50	1.85	No members initiated over 50
59	.....	2.40	.....
Over 60	.....	$3 per month	.....

Table 1. This rate applies only to those members initiated prior to November 1, 1898, all the members at that time being placed on the same rate and based on age at entry.

Table 2. The step rate plan was adopted November 1, 1898, and applied to new members initiated after that date. The rate increases every five years to attained age. When the member reaches the age of 60 he pays $3 per month thereafter.

Table 3. Members initiated after January 1, 1912, have their choice between Tables 2 and 3, although every effort is being made to have new members pay the Table 3 rates. The rates of this class are based upon the regular National Fraternal Congress table of mortality, and this class is the only one of the three that can be considered adequate.

Hence, we find the members of the association paying three different rates. Two classes, or those under Tables 1 and 2, are paying inadequate rates, and any deficiency arising would be caused by the inadequacy of the rates of the members in those classes.

It is recommended that the subject of rates be given careful consideration by the members at their next convention, so that the association may be placed on a strong financial basis. Unless action is taken by the members it will be necessary to levy further additional assessments to pay the death claims in the future.

Official Bulletin

An official bulletin is issued monthly for the association, its primary purpose being to issue the call for the monthly assessment. It also contains other news of interest to the members. For a number of years the bulletin was published by Mrs. Honora O'Neill, the wife of the supreme president. She received for her services a compensation of twenty-five cents for each member, this payment being made from the general fund. Mrs. O'Neill paid the printing bills, postage, club hire, etc., and any balance remaining would represent her profit. At a meeting held on June 8, 1911, the trustee agreed to pay Mrs. O'Neill $1,000 for her equipment, mailing list and apparatus used in publishing and issuing the bulletin. The $1,000 was paid in August, 1911. Mrs. O'Neill continued to publish the bulletin until November, 1911, and paid the association $5 per month for the rent of the materials she had sold. Since December, 1911, the bulletin has been pub-

lished by Supreme Trustee Michael G. Langan, of Scranton. He receives twenty-five cents per member and pays $200 per year to the association for the rent of the mailing list, etc. Mr. Langan claims that his net profit, excluding his own services and clerk hire, does not exceed $70 per month. We recommend to the members for consideration that the bulletin be published by the association itself, thus saving any profit that up to this time has been received by individuals.

We also recommend that the bulletin be issued on the first of each month, thereby giving each member thirty days' notice of assessments.

Convention

The association holds a triennial convention, each council being represented by a delegate for each 250 members or fractional part thereof, and one additional representative for each additional 250 members or majority fraction thereof. Each delegate receives his mileage and $4 per diem while the convention is in session. The expenses of the convention are paid from the general fund of the association and the cost of the 1911 convention was approximately $6,600. This is a severe drain on the general fund and it was necessary to levy one assessment on all the members to secure sufficient funds to pay the cost of the 1911 convention. The income to the general fund from the present membership will amount to approximately $10,500 per year which is not a large income from which to pay salaries, expenses, premiums for new members, etc., and to further the extension of the order. It is suggested that some part, at least, of the cost of the convention be defrayed by the separate councils. This matter should have the earnest consideration of the members.

Membership

On December 31, 1911, the association had 12,383 beneficiary members, with $10,748,500 of insurance. The average age of the members was forty years. On October 31, 1912, the number of beneficiary members was 12,347 with $10,932,500 of insurance, and the number of councils 190. The number of members in the relief class was 2,173.

The association has councils located in ten States and the District of Columbia and is authorized to transact business in four States. Since October 1, 1911, three new councils have been organized.

Salaries of Officers

The annual salaries of the officers are:

	Salary
Supreme President, Timothy E. Boland	$1,000
Supreme Recorder, Margaret H. Graney	900
Supreme Treasurer, James L. McGarr	300

None of the other officers receive a salary.

The trustees receive $4 per diem and mileage for attending meetings. The finance committee, composed of three members, receives $4 per diem and mileage for auditing the books.

The supreme treasurer is bonded for $4,000, the supreme recorder for $8,000 and each of the trustees for $1,000 each. The financial secretary and treasurer of every subordinate council are also bonded. The expense of these bonds is paid by the subordinate councils, being apportioned according to membership.

Conclusion

The following is a summary of the recommendations made in this report:

1. That the mortgages and bond be kept in Auburn, N. Y.

2. That the balance of the July, 1911, assessment, remaining after the payment of the convention expenses be transferred to the beneficiary fund.

3. That all notices of deaths be printed monthly in the bulletin and also all death claims paid.

4. That all complaints against the order be submitted to the Insurance Department for investigation before they are answered through the official bulletin.

5. That the members earnestly consider an adjustment of rates, to the end that all members will pay assessments on an adequate basis.

6. That the members take up for consideration the question of publishing the official bulletin under the direct supervision of the association itself.

7. That the official bulletin be issued on the first of each month so that each member will have thirty days' notice of assessments before the same are due.

8. That the members consider whether all convention expenses should be paid from the general fund of the association, or that part, at least, should be defrayed by the individual councils.

9. That the constitution be carefully revised so that its meaning will be clear and not inconsistent.

We believe that all members should pay the extra assessments now being levied. They can be assured that the funds collected will be used only for the payment of death claims. It is a serious matter for a member to allow himself to be suspended and the benefit canceled, and it should not be allowed to happen without due and serious consideration.

ECONOMIC RELIEF ASSOCIATION

GENEVA, N. Y.

Examination on condition as of July 16, 1912.
Report dated July 29, 1912.
Examiner: Wilbur F. German.

This association was originally incorporated on May 15, 1871. On January 3, 1910, this Department secured possession and conducted the business of the association pursuant to an order obtained from the Supreme Court of this State. After the liabilities had been liquidated, the association, on April 14, 1910, again resumed the transaction of business.

This association was again examined as of March 28, 1912, and a report thereon showed an excess of liabilities over assets amounting to $1,469.14.

Upon the filing of said report the management of the association agreed that $543 charged as a liability for unpaid benefit claims would be liquidated immediately, and that a fund of $3,000 would be paid in within sixty days. Upon request of the association it was given until July 16, 1912, to satisfy the Insurance

Department that its promise had been fulfilled, and for the purpose of ascertaining the same this examination was ordered. As the result, I respectfully submit the following report, showing the condition of the association, as accurately as it could be ascertained from the records produced and information obtained, at the close of business on July 16, 1912:

Ledger Assets

Cash in bank	$0 93	
Organizers' balances	918 75	
Total ledger assets		$919 68

Deduct Assets Not Admitted

Organizers' balances		918 75
Total admitted assets		$0 93

Liabilities

Certificate claims	$3,101 00	
Miscellaneous bills	227 68	
Advances made by directors for which certificates have been issued including note of Manufacturers and Traders' Bank, Buffalo, N. Y.	1,573 60	
Total liabilities		4,902 28
Excess of liabilities over assets		$4,901 35

A statement of the income and disbursements from March 28, 1912, the date of the last examination, to July 16, 1912, follows:

Ledger assets March 28, 1912		$993 15

Income

Assessments	$214 89	
Miscellaneous	15 94	
Total income		230 83
Total		$1,223 98

Disbursements		
Sick and accident claims	$61 75	
Management expenses	242 55	
Total disbursements		$304 30
Balance, ledger assets, July 16, 1912		$919 68

ASSETS

Cash in Bank: This item was verified from association's records and certificate from the bank in which the cash is deposited.

Organizers' Balances: Since date of last examination the agent to whom the greater part of the sum carried in this account was advanced has resigned and, in the opinion of your examiner, there is little probability that the association will recover any part of this asset.

LIABILITIES

Death Claims: Three unpaid death claims are outstanding, two of which are now being resisted. The other claim has not been paid on account of lack of funds.

Disability and Funeral Claims: The association admits full liability on these claims but has not the funds with which to pay them.

Advances Made by Directors: At various times advances have been made by the directors to the association for which certificates have been issued to them. These certificates are promises to pay whenever there are funds sufficient to meet them, and in every instance they were issued upon a resolution of the executive committee.

Note Discounted at Manufacturers & Traders Bank, Buffalo, N. Y.: In March, 1910, note was given by the directors of the association as individuals to the Manufacturers & Traders National Bank, Buffalo, for $1,175, for the purpose of raising funds required by the Department before the association would be allowed to resume business, at the time it was in possession of the Department. This note was signed by the following persons:

Charles J. Vogt,
F. C. Hohman,
George F. Ditmars,
William C. Anker,
Gustave A. Hitzel,
George E. Whitcomb,
A. W. Hotaling,
William Stavenow.

This note was for four months but was renewed several times. Finally the bank demanded payment in full. Some of the persons above mentioned were compelled to pay the same on or about July, 1911, except $100 which had been previously paid by the association. In September, 1911, the following resolution was passed by the executive board, and the certificates mentioned therein, a copy of which is submitted below, were issued:

Meeting of the Executive Committee of the Economic Relief Association.
Present: R. A. Schnirel, F. C. Hoffman and George F. Ditmars.
Motion made by Mr. Ditmars, that a certificate be issued to each one, who has donated towards the payment of the $1,075 note given to the Manufacturers and Traders' National Bank of Buffalo, N. Y., acknowledging such donation and agreeing to repay the same with interest whenever a sufficient fund is accumulated in the expense account of the Association from which to pay the same. Seconded and carried.

Copy of certificate issued.

HOME OFFICE, ECONOMIC RELIEF ASSOCIATION.

September 8, 1911.

This is to certify that ..... of ....., State of New York, has paid the sum of One Hundred Nine Dollars and Sixty-five Cents ($109.65) on the note of the Directors given to the Manufacturers and Traders' National Bank of Buffalo, N. Y., and that the same is to be returned to him with interest thereon, whenever a sufficient fund is accumulated in the expense account of the Association with which to pay the same.

ECONOMIC RELIEF ASSOCIATION,
PER George F. Ditmars,
Supreme President.

It appears that four of the directors refused to pay their share of the note and that the bank brought suit in October, 1911, against one Doctor Gustave A. Hitzel who had refused to pay upon the ground that the renewal notes had not been signed by him. The bank obtained a judgment for $446.46 being the balance still unpaid. It is said that Doctor Hitzel is now suing this association for the latter amount and that papers have been served on the officers at Geneva since this examination was begun.

Salaries of Officers: While the minute book shows that the supreme president, treasurer, and secretary are to receive a salary, practically nothing has been paid since the reorganization

and no amount is carried as such in the liabilities shown in this report.

Settlement of Claims: Several claimants of the association were interviewed by your examiner concerning a proposed settlement of their claims by the management on a compromised basis. Affidavits and written statements were obtained in certain cases, and from them it appears that when it seemed to the officers that money needed to make a settlement of the outstanding claims would be raised they went to Buffalo and called upon nearly all the claimants residing there, stating to them that the affairs of the association were in bad shape financially, and that a proposition was made looking to a settlement of each claim on a 30 per cent. basis. It is stated that the claimants were told that if they did not accept this settlement they probably would receive nothing. Those who accepted the proposition were told that they could call at the office of the supreme counsel in Buffalo the following week and receive their money, but the offer was not carried out. As the result several members have placed their claims in charge of attorneys.

Increase of Liabilities: Since the date of the last examination, the unpaid claims have increased from $1,543 to $3,328.68, or 116 per cent., while the assets have been reduced to practically nothing.

Membership: It is practically impossible to ascertain the extent of the present membership. The association's deputies or collectors have resigned and others have not been appointed in their places. Very few members have paid their assessments within the past two months.

CONCLUSION

It is obvious from the foregoing report that this association is insolvent. Its known liabilities exceed the admitted assets by nearly $5,000. It has given up its office, until recently located at Geneva, N. Y., and the office furniture at the time of this examination was at the railroad freight house in above named city for the purpose of shipping to Syracuse, N. Y., the plan being to open an office at the latter place provided the association continues in business. The members have stopped paying their assessments and no meetings are being held by the local lodges. There seems

to be no prospect that the management can rehabilitate the association, to the end that the claims will be met and new business written. Hence, I respectfully recommend that application be made to the court as soon as possible for an order directing that you, as Superintendent of Insurance, be placed in charge of the association's affairs for the purpose of liquidation, as provided under section 63 of the Insurance Law.

INDEPENDENT ORDER FREE SONS OF ISRAEL

New York, N. Y.

Examination on condition as of July 31, 1912.
Report dated October 2, 1912.
Examiners: W. A. Billingham and Wilbur F. German.

Ledger Assets		
Mortgage loans on real estate	$995.830 00	
Cash in bank and trust companies	49,850 85	
Total ledger assets		$1,045,680 85
Non-ledger Assets		
Interest accrued on mortgage loans	$11,509 96	
Assessments in course of collection not over 30 days due	10,115 95	
Total non-ledger assets		21,625 91
Total		$1,067,306 76
Liabilities		
Death claims:		
Approved — payment deferred on account minority, insanity, etc., of beneficiaries	$7,169 35	
Unapproved	25,000 00	
Total death claims	$32,169 35	
Assessments paid in advance	92 51	
Miscellaneous bills	1,317 17	
Total liabilities		33,579 03
Excess of assets over liabilities		$1,033,727 73

A statement of income and disbursements from January 1, 1912, to July 31, 1912, inclusive, is as follows:

Balance, ledger assets, December 31, 1912, as per order's records		$1,074,133 97
Income		
Mortuary assessments	$144,631 20	
Expense assessments	5,151 50	
Reserve fund	147 25	
Interest on bonds and mortgages	23,425 34	
Interest on bank deposits	1,516 45	
Rent	1,883 18	
Sundries	9 15	
Total income		176,764 07
Total		$1,250,898 04
Disbursements		
Death claims	$196,000 00	
Salaries	2,333 31	
Dinners to executive committee	467 60	
Relief fund	175 00	
Banquet, Rochester convention	417 50	
Management expenses	5,823 78	
Total disbursements		205,217 19
Balance, ledger assets, July 31, 1912		$1,045,680 85

History

This order was started in the year 1849 as a fraternal society without any insurance feature. It was incorporated under chapter 107 of the Laws of 1888 as a fraternal beneficiary society, section 2 of its charter reading as follows:

"The objects of said organization are hereby declared to be for the cultivation and promotion of charity and benevolence, and moral, mental and social culture among its members, their mutual benefit in case of sickness or distress, proper interment for their dead, and provisions by means of endowments for their widows and orphans, and such beneficiaries as may be duly designated by the members of said organization, in accordance with its laws and rules as such organization may adopt."

The order now consists of ninety subordinate lodges located in the States of Connecticut, California, Georgia, Illinois, Kansas,

Kentucky, Louisiana, Massachusetts, Mississippi, Michigan, Missouri, New York, New Jersey, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia and Wisconsin.

There are 8,767 class A members and 130 class B members. The amount of insurance in force is $8,832,500.

Each member pays $1 per year to defray the general expense of the grand lodge.

There are 51 members not at present affiliated with any local lodge, the lodges of which they were originally members having been discontinued. These members have voluntarily placed themselves under the jurisdiction of the grand lodge, and are required to pay a fee of $5 per year, which reverts to the reserve fund.

Officers

The names of the officers are as follows:

M. Samuel Stern, New York, Grand Master.
Isaac Baer, New York, First Deputy Master.
Henry Jacobs, New York, Second Deputy Master.
Adolph Pike, Chicago, Third Deputy Master.
Abraham Hafer, New York, Grand Secretary.
L. Frankenthaler, New York, Grand Treasurer.
Henry Lichtig, New York, Chairman Endowment Committee.

The grand secretary is the only officer who receives a salary. His compensation is $3,000 per annum. He is under a $10,000 bond as is also the grand treasurer.

Method of Securing New Members

A fee of $2.50 is paid to each member for each new class A member procured by him, and $1.50 for each class B member. In addition to this appropriations are made from time to time for what is called a propaganda fund. This fund is used for the purposes of defraying the expenses of entertainments and social functions which are held at intervals for the purpose of promoting a fraternal spirit among the members and adding to the membership of the order.

Membership

Membership is limited to male Hebrews between the ages of 21 and 45 years at the time of joining, excepting that the executive

committee may at the time of the institution of a new lodge in a city or town where no lodge exists, permit not more than three candidates to be admitted who are over 45, but not exceeding 50 years of age.

No certificates of membership are issued.

Government

The supreme governing power of the order is the Grand Lodge of the United States Independent Order Free Sons of Israel. Such grand lodge consists of one delegate selected by each lodge of the order.

Up to the year 1912 the United States Grand Lodge held a convention every five years. At the 1912 convention the constitution was amended so as to provide for a convention to be held every three years thereafter.

Assessments

Assessments for $1,000 death benefits known as class A are made monthly upon the following basis:

Members between the ages of 21–25 pay 6 cents per death.
Members between the ages of 26–30 pay 7½ cents per death.
Members between the ages of 31–35 pay 9 cents per death.
Members between the ages of 36–40 pay 9½ cents per death.
Members between the ages of 41–55 pay 10 cents per death.
Members between the ages of 56 and over 10½ cents per death.

These rates were promulgated at an extra session of the grand lodge held in September, 1909, becoming effective January 1, 1910. At the same session the constitution was amended so as to create a new class to be known as class B, the members of which were required to contribute 60 per cent. of the amount paid by members of class A, the death benefit being $500.

The assessments made have not been sufficient to pay death claims and the deficiency has been taken from the interest receipts on the reserve fund investments.

At the 1912 convention of the grand lodge held in Rochester, the constitution was amended in respect to assessment rates, same to become operative October 1, 1912. The rates then adopted are as follows:

Between the ages of 21–25 — 6 cents per death.
Between the ages of 26–30 — 7½ cents per death,

Between the ages of 31–35 — 9 cents per death.
Between the ages of 36–40 — 9½ cents per death.
Between the ages of 41–45 — 10½ cents per death.
Between the ages of 46–50 — 11½ cents per death.
Between the ages of 51–55 — 12 cents per death.
Between the ages of 56 and over — 13 cents per death.

Such amendment provided further that " the sum of $25,000 be taken annually from the interest of the reserve fund in liquidation of twenty-five deaths. Should there be any deficiency under the above assessment plan by reason whereof the full sum of $1,000 for death shall not be realized, then such deficiency shall be liquidated by assessing every member of the order such proportion or percentage thereof as the amount of his assessment shall bear to the amount of such deficiency. Such additional assessment shall be fixed by the executive and endowment committee in joint session."

Action was also taken at the 1912 convention reducing the assessments of class B members from 60 per cent. of class A assessments to 50 per cent. thereof, to become effective October 1, 1912. At the same time a new class of membership was organized, to be known as class " C," the death benefit therein being $250 and the assessments thereof to be 25 per cent. of class A assessments. This plan is to become effective October 1, 1912.

Income

It was impossible to make any extended check of the income owing to the fact that the order does not have on file any original papers from the lodges showing remittances made by them. It is the practice of the grand secretary to send assessment notices, with the amounts left blank, to the secretaries of the local lodges, who fill in the amounts of assessments according to the ages of its members and return the same to the grand secretary together with remittances to cover the total amount. These notices are then returned to the local lodges with formal acknowledgment of receipt of payment by the grand secretary.

It is the custom of the local secretaries, however, to forward to the chairman of the finance committee each month a statement of the amount remitted to the grand secretary. We were able to procure 256 of these notices covering in part the months of May,

June, July and August, 1912, and checked same with the corresponding cash-book entries. For the time prior to May, 1912, these notices were not available, the chairman of the finance committee informing your examiners that after checking the books of the grand secretary at regular intervals, it is the custom to have the notices destroyed. It was suggested that they be preserved for a longer period hereafter.

Death Claims

It is the practice of the order to pay death claims promptly after approval by the endowment committee without waiting to receive remittances from lodges in payment of assessments made to cover same. We find that such claims are usually paid within thirty days after receipt of proof of death and often within a much shorter time.

INDEPENDENT ORDER FREE SONS OF JUDAH

NEW YORK, N. Y.

Examination on condition as of May 31, 1912.
Report dated July 22, 1912.
Examiners: Clarence J. Norton and J. F. Tucker.

Ledger Assets		
Cash in banks and office	$37,473 91	
Total ledger assets		$37,473 91
Non-Ledger Assets		
Interest accrued on deposits	$399 25	
Assessments in process of collection by subordinate lodges not over 30 days due	6,156 73	
Total non-ledger assets		6,555 98
Total assets		$44,029 89
Liabilities		
Unpaid death claims	$26,000 00	
Headstone deposits	1,975 00	
Total liabilities		27,975 00
Balance		$16,054 89

A statement of income and disbursements for the five months ending May 31, 1912, is as follows:

Ledger assets December 31, 1911		$57,632 52
Income		
Assessments	$53,913 53	
Certificate fees	350 75	
Sale of supplies	644 05	
Headstone deposits	1,324 00	
Reserved graves	400 00	
Permits	137 25	
Sale of tickets — relief fund	189 50	
Interest on bank deposits	758 18	
Total income		$57,717 26
Total		$115,349 78
Disbursements		
Death claims	$63,100 00	
Donations to lodges and members	787 00	
Salaries of officers and clerks	1,939 00	
Annual donation to president	1,000 00	
Headstone deposits returned	470 00	
New cemetery purchased, first payment	6,195 00	
Cemetery expenses	291 75	
Management expenses	4,087 69	
Dues for aged and infirm members	5 43	
Total disbursements		77,875 87
Balance May 31, 1912		$37,473 91

Organization

This order was incorporated on February 12, 1890, as a mutual benefit fraternity and reincorporated on March 21, 1894, in accordance with the provisions of chapter 690, Laws of 1892. It does business through the subordinate lodge system, and on May 31, 1912, had 128 lodges, 113 being located in New York State, and the balance in Connecticut, Maryland, New Jersey, Pennsylvania, Rhode Island and Washington, D. C.

Membership and Insurance in Force

Membership in this order is restricted to persons of Jewish faith between the ages of 21 and 44 inclusive who pass a satisfac-

tory medical examination. The only certificates issued are for death benefits of $500 each. Formerly one certificate only was issued to husband and wife, payable in the event of either's death, but at the death of the husband, the wife's membership terminated. This feature was criticised by the Insurance Department, and as a result the laws were amended at the 1911 convention for the purpose of making women full members and entitled to all the benefits granted by the order, and permitting a widow to keep up her membership in the order, after the death of her husband, by paying all the assessments of her class according to her age.

For purposes of assessments, the membership is divided into three classes, in accordance with the attained ages in 1908, and the age at entry of those who have joined since. The following table shows the number of members in each such class:

Class I, age 21–34	9,506
Class II, age 35–39	4,046
Class III, age 40 and over	7,811
Total members	21,363

Of this number, 20,184 members are married and 1,179 are single. The aggregate amount of insurance in force is approximately $10,681,500. New certificates of membership were issued in 1911 to each man and wife in exchange for the one issued to the husband, respectively.

Assessments

The order's method of levying assessments for mortuary purposes is on the post mortem plan, that is, a sufficient assessment is levied each month on the subordinate lodges to pay the death claims incurred. Prior to 1908 assessments were levied on the lodges without regard to the members' ages, but as above stated, in the said year the convention divided the membership into three classes at the then attained age of each member and adopted the following rates which have been maintained since:

Class I, ages 21–34 inclusive	3¢ per death
Class II, ages 35–39 inclusive	5¢ per death
Class III, ages 40 and over	6¢ per death

In addition the lodges are assessed quarterly for a per capita tax of 15 cents, a reserve fund tax of 25 cents and a propaganda tax of 5 cents; also, beginning July 1, 1911, an annual cemetery tax of 25 cents (payable quarterly) is levied on all lodges in Greater New York and vicinity which have no cemetery of their own.

All assessments are levied upon the treasurers of the local lodges who in turn collect the equivalent thereof from the members. The members' assessments are collected quarterly and are calculated to be a level sum sufficient to cover all charges from the grand lodge. The membership is divided into classes according to age, as described above, and the quarterly rates are graduated to each class. The rates differ somewhat among the various lodges, due to the size of the membership and the fact that each lodge has its own method of collecting assessments and paying local disability claims, which is also a feature in this society.

Readjustment of Rates

The financial statement, as set forth above, and a careful examination of the mortality experience of the society would indicate that the time is not far off when another readjustment of rates will be necessary. The officers seem to fully realize this and a committee of five has been appointed to confer with the National Jewish Fraternal Congress with the view that the various Jewish fraternal societies may come to some agreement whereby the condition of all such societies may be mutually improved. By reason of the sharp competition existing between such societies, however, there seems to be some doubt whether the effort will be successful. There can be little doubt that what this class of societies mostly need is a thorough reorganization in the matter of rates and in business methods, to the end that the contracts which are issued may be carried out with less discrimination between the members and less likelihood that members, when they become advanced in years, will suffer by reason of their having relied on the stability of an organization which is founded on a system which is wholly unscientific and inequitable from a life insurance standpoint. It is true that such societies, issuing certificates not to exceed $500 and confining their membership to persons of one religious faith,

are exempt from the provisions of the new fraternal law concerning reserves, valuations, etc., but this does not warrant the stability of such organizations, nor guarantee that the contracts will be carried out without heavy increases in assessments on those members who happen to live longest.

As hereinbefore stated the convention of 1911 voted that thereafter the wives of members should themselves become bona fide members, if an endowment were to be paid to the husband in the event of a wife's death — this at the direction of the Superintendent of Insurance for the purpose of complying with the law. We find, however, that this action has only nominally been carried out; that the female members, as far as the subordinate lodges are concerned, do not enjoy the same privileges as the male members, and that the method of levying assessments on a man and wife, widows and single men is carried on in the subordinate lodges in a capricious manner, without much regard to the true equities of all concerned as distinct members. This should be corrected, and it is incumbent upon the better educated and natural leaders of each local lodge to work out a method of reorganization along this line and in the matter of rates, if the order is to continue successfully.

Propaganda Fund

The income credited to this fund is derived from an annual tax of twenty cents (payable quarterly) from each male member and from widows who remain as members after death of their husbands and is applied toward organization expense and building up the order.

A statement of the fund follows:

Balance December 31,. 1911		$2, 155 85
Income		
Assessments		829 05
		$2, 984 90
Disbursements		
Organization of lodges	$894 00	
Prizes	594 60	
		1, 488 60
Balance May 31, 1912		$1, 496 30

Cemetery Fund

The order provides a burial place for each member belonging to a lodge located in Greater New York and vicinity having no cemetery of its own, contributing to the above fund. Besides providing for every such member, male and female, this fund also provides for members' children, if under the age of twenty-one and unmarried.

There were on date of this examination 99 lodges who were interested in these cemeteries.

The said members pay from 75 cents to $1.50 for burial permits, and from $25 to $50 for reserved graves.

The income from cemetery assessments, burial permits, reserved graves and sale of plots is credited to this fund and applied for the purchase of cemeteries.

New Cemetery

The convention of 1911 empowered the executive board to purchase cemetery lots and that the necessary first payment on the plot purchased should be borrowed from the available assets. On January 19, 1912, the order contracted to purchase from the Fairview Heights Cemetery Company a plot of ground in Bergen county, New Jersey, to be used as a cemetery. The purchase price was $9,000 per acre, at which rate the plot cost the order $30,975. Of this amount $6,195 was paid upon execution of the agreement, and the contract calls for the balance in seven annual instalments of $3,540 each with interest at 6 per cent., payable semi-annually.

In order to make the first payment, $6,000 was borrowed from the aged and infirm fund upon authority of the 1911 convention. This amount is to be repaid from future cemetery assessments, with interest at 4 per cent.

Aged and Infirm Fund

All interest received by the order on its assets goes into this fund and is its only income. The purpose of the fund is to pay the dues and assessments of any members who, having continued their membership for at least twenty years, beginning with February 9, 1890, shall become incapacitated and unable to continue the

payments for themselves. Payments are made direct to the subordinate lodges to which such members may belong.

As the order has been in existence only since 1890, no payments of this nature have been made until recently. It is but reasonable to suppose that the calls upon this fund will increase rapidly from the present time and that the interest accumulations of twenty years will gradually disappear.

Recapitulation of Balances by Funds, May 31, 1912

Reserve	$32,462 06	
Propaganda	1,496 30	
Picnic or relief	1,638 28	
Cemetery	6,313 91	
Aged and infirm	3,821 89	
		$45,732 44
Deduct over-drafts in the following funds:		
Endowment	$6,880 53	
General	1,378 00	
		8,258 53
Total ledger assets		$37,473 91

Trust Fund for Minors

The order holds in trust for minors the sum of $3,074.79 deposited to their credit in various savings banks until such time as they shall reach the age of majority or there is a guardian legally appointed to receive same. The payments representing these deposits have been charged off as disbursements for death claims and for that reason, the above item does not appear as an asset in the financial statement in this report.

Salaries of Officers

Samuel Goldstein, Grand Master	$1,000 00 per annum
Sigmund Foder, Grand Secretary	3,000 00 per annum
Adolph Bieber, Grand Messenger	600 00 per annum

The compensation of the grand master is treated by the grand lodge as a donation in lieu of regular salary, and the secretary pays $750 from his salary for the services of a clerk.

Conclusion

Since the last examination made by this Department, the system and manner of bookkeeping have been improved, but it still seems

necessary for the best interests of the order that further changes be made. Therefore, we respectfully make the following recommendations:

1. That all payments from the general fund be made by check.
2. That itemized vouchers, signed by the claimant, be obtained for all disbursements, and that such vouchers or claims be numbered and filed systematically.
3. That the record of all death claims be entered as soon as received, and made more complete by showing date of payment and also the date and amount of any advances.
4. That a thorough investigation be made by the order into the question of rates and further action taken regarding equal rights of all members.
5. That the deficit existing in the general fund amounting to the sum of $1,378 be made up as soon as possible.

JEWISH NATIONAL WORKERS' ALLIANCE OF AMERICA

New York, N. Y.

Examination on organization. Financial condition December 24, 1912.

Report dated December 30, 1912.

Examiners: Clarence J. Norton and Wilbur F. German.

This society received its preliminary certificate under date of March 29, 1912, in accordance with the provisions of section 234 of the Insurance Law. It is the first fraternal society qualifying for authority to transact business under the provisions of the new Fraternal Law enacted in 1911.

Plan of Insurance

The plan of insurance adopted by this society is ordinary life, and its certificates provide for death benefits in amounts of $250, and multiples thereof, not exceeding the sum of $1,000.

The assessment rates to be used are based on the American experience table of mortality with 4 per cent. interest. A copy of same is filed with this report, together with figures showing cash or loan values, paid-up and extended insurance.

Applications

We examined the applications for membership and insurance and find that 500 persons have subscribed in writing to become beneficiary members of the society in the sum of $1,000 each; that such applicants have signed health statements in connection with medical examinations, and reports are on file showing that each applicant has been examined by a physician and such examination approved by the society's medical examiner. We were informed that each of the said applicants have been initiated in a subordinate body of the society, but that no ritualistic form has or will be adopted, save the taking of an obligation by each member initiated, and that the total number of such subordinate bodies organized is 26.

We further find from the sworn statements of the treasurer that said applicants have each paid in at least one monthly assessment in cash, amounting in the aggregate to $2,527.32; that the said sum of money was on deposit to the credit of the society in the State Bank of New York city at the close of business on December 24, 1912, as shown by a certificate issued by this institution filed with the papers of this examination.

It developed that $1,200 of the above amount on deposit is held subject to a certificate of deposit dated February 24, 1912, No. 6837, issued in the name of the society, and that such certificate of deposit has been transferred to the American Bonding Company of Baltimore, Md., as security for a bond of $5,000 issued by the latter, conditioned upon the return to applicants of the advanced payments made, described above, if the organization is not completed within one year after the issuance of the preliminary certificate, the filing of such bond being required by the statute. It is stated by the officers that, upon the completion of the organization and a certificate of authority issued by you, as Superintendent of Insurance, the said certificate of deposit will be returned to the treasurer of this society and the aforesaid bond canceled.

Location and Executive Committee

The general office of the society is located at 89 Delancey street, New York city. The following persons are members of the executive committee at the present time:

George Avrunin, President.
Meyer L. Brown, Secretary.
Nathan Elkin, Treasurer.
Israel Applebaum.
Baruch Zuckerman.
Reuben Plattrot.
Jacob Wechsler.
Dr. Abraham Rieger, Chief Medical Examiner.

Attached to this report as exhibit "A" is an affidavit of Nathan Elkin, treasurer, relative to the organization of this society, and, as exhibit "B" a copy of the agreement between the American Bonding Company and this society concerning the transfer of the certificate of deposit for $1,200.

Filed with this report is a schedule, sworn to by the president and secretary, showing the name, address and age of each applicant, and the number of each subordinate lodge each member is affiliated with, the amount of cash paid in, also dates of medical examination and approval and initiation, of each member, together with copies of the by-laws and application blank.

SERB FEDERATION "SLOGA"

New York, N. Y.

Examination on condition as of February 29, 1912.
Report dated March 21, 1912.
Examiner: Leon S. Senior.

This society was incorporated on January 3, 1910, and received the authority of this Department to transact business on May 29, 1911. Prior to such incorporation and until October, 1909, the members of the society were grouped in two voluntary associations, which had been formed in Pennsylvania and Illinois.

From October, 1909, until October, 1911, "The Serb Federa-

tion Sloga" transacted business as a voluntary association and as the successor of the Pennsylvania and Illinois organizations. This Department examined the voluntary association in May, 1911, in connection with its application for authority to transact business under the provisions of the Insurance Law. The report of such examination shows that the association on February 28, 1911, had cash assets amounting to $11,722.96.

We have examined the accounts of the Serb Federation Sloga, Incorporated, and of its predecessor, the voluntary association, for a period of one year from March 1, 1911, to February 29, 1912, and the financial statements of each organization are shown separately in this report.

Serb Federation Sloga (Unincorporated)

The affairs of this society are now being liquidated by its officers. Practically all the available assets, consisting of cash and bonds, amounting to $16,432.66, have been transferred to the corporation "Serb Federation Sloga."

The following financial statement shows the income and disbursements of the unincorporated society from March 1, 1911, to February 29, 1912, and the assets and liabilities on the last mentioned date:

Income

Assessments:		
Benefits for members	$97.818 02	
Benefits for members' wives	1,298 90	
For educational and benevolent fund	177 72	
Total paid by members	$99,294 64	
Borrowed money	1,591 38	
February collections deposited in March	4,486 35	
Balance as per report February 28, 1911	11,722 96	
Total		$117,095 33

Disbursements

Death claims	$56,586 40	
Sick benefits	11,695 00	
Benefits to crippled members	6,885 00	
Benefits for incurable diseases	8,375 00	
Benefits for members' wives	400 00	
Total paid to members	$83,941 40	

Educational and benevolent fund	$1,302 00	
Rent	200 00	
Publication	2,988 65	
Debts of old organizations	2,445 40	
Badges	2,809 65	
Legal expenses	1,531 50	
Conventions	295 82	
Donation to Servian papers	100 00	
Salaries of officers and employees	1,805 00	
Furniture	57 75	
Audits and accounting system	500 00	
Examination of new members	6 00	
Interest on bonds	43 29	
Commission on bonds	8 75	
Miscellaneous expense	2,503 44	
Transferred to "Serb Federation Sloga, Inc."	16,432 66	
Total disbursements		$116,971 31
Cash balance		$124 02

Assets

Cash in office and banks	$124 02	
Due from subordinate lodges	3,604 61	
Office supplies	1,245 27	
Furniture	341 18	
Badges	300 45	
Due from Serb Federation Sloga, Inc	207 60	
		$5,823 13

Liabilities

Death benefits	$2,833 35	
Benefits for members' wives	898 90	
Due to educational and benefit fund	313 69	
Due for borrowed money	1,591 38	
Surplus	185 81	
		5,823 13

"Serb Federation Sloga" (Incorporated)

October 1, 1911, this society completed its organization, installed a new system of accounts and began to exercise its corporate functions as a fraternal association in accordance with the authority granted by this department.

The society consists of a supreme assembly and 137 subordinate assemblies transacting business in 24 states and in the Dominion of Canada. Membership in the society is restricted to persons of the Servian race by birth or descent. The supreme assembly will

meet at its first convention in June, 1913, and triennially thereafter. The administrative powers are vested in a supreme council consisting of twelve members. The officers and members of subordinate committees, known as the executive board and the board of control, are eligible for membership in the governing body. Complaints from members, officers, or subassemblies are referred for hearing and decision to a body known as the supreme judicial board, the members of which are elected by the convention.

The accounts of the incorporated association were examined for the period beginning with October 1, 1911, to February 29, 1912, and the following statement shows the income and disbursements for the given period and the assets and liabilities on the last mentioned date:

Income		
Assessments	$48.724 15	
For Federation Sloga (unincorporated)	1,238 80	
Total paid by members	$50,050 25	
Transferred from "Serb Federation Sloga" unincorporated:		
For reserve fund	14,865 40	
For convention fund	1,567 26	
Total income		$66,482 91
Disbursements		
Death benefits	$16,093 10	
Sick, accident and permanent disability benefits	14,305 00	
Total paid to members	$30,398 10	
To education fund	1,994 80	
To Serb Federation Sloga (unincorporated)	950 70	
Management expenses	1,971 29	
Total disbursements		35,314 89
Balance		$31,168 02
Ledger Assets		
Deposits in banks	$15,136 08	
Book value of bonds	16,031 94	
Total		$31,168 02

Non-Ledger Assets

Interest accrued on bonds	$319 37	
Assessments in course of collection	7,272 70	
		$7,592 07
Gross assets		$38,760 09

Assets Not Admitted

Book value of bonds over market value	281 94
Net assets	$38,478 15

Liabilities

Death claims and disability benefits	$18,051 90	
Due to educational fund	269 65	
Due to Serb Federation Sloga (unincorporated)	207 60	
Total liabilities		18,529 15
Balance		$19,949 00

Assessments

Organization Fund: In order to qualify the society to transact business, 505 members paid an initial assessment amounting in the aggregate to $4,040, representing 1 per cent. of the total amount of insurance applied for. According to a resolution adopted by the executive board on January 24, 1912, the officers are authorized to use all or any part of this fund in paying the expenses incident to the organization of the society, the examination and audit of the books of the voluntary association to which this society is the successor and the qualification of the society as a foreign corporation in other states. The expenses of organization were paid by the voluntary association and the organization fund has remained intact and free from liabilities.

Beneficiary Fund: Assessments for the beneficiary fund are levied pro rata on all members, regardless of age, on the last day of each month and are computed on a basis to provide sufficient funds for the payment of all claims filed during the current month.

Per Capita Tax: The regular monthly assessment included a per capita tax of 20 cents, one-half of which is credited to the

reserve fund, one-fourth to the convention fund, and one-fourth to the educational fund. The income from the educational fund is remitted periodically to the Serbo-American Alliance, an organization devoted to the intellectual development of persons of the Servian nationality or descent.

Initiation Fees: New members pay an initial fee of $2. The income from this source is credited in equal parts to the educational and emergency funds. The latter fund is used to restore deficiencies that may arise from uncollectible assessments.

Annual Fees: Each member is required to pay annually a fee of one dollar. The income from this source is employed for the expenses of administration.

Transfers from old Organization

The voluntary association " Serb Federation Sloga " transferred to its successor, the corporation, cash and securities amounting to $16,432.66. As shown in the foregoing financial statement, $14,865.40 has been credited to the reserve fund and the remainder to the convention fund.

Benefits

The by-laws of the society provide a death benefit of $800. In the event of disability due to illness, members are entitled to indemnity at the rate of $30 per month. Specific indemnities of $50 to $1,500 are provided in cases of disability due to accident or to incurable diseases. As the members of this society are principally engaged in hazardous occupations, the benefits payable under the accident provisions of the by-laws form an important part of the society's disbursements.

Assets

Cash: Deposits in banks have been verified from the society's records and reconciled with certificate from bank.

Bonds: The society owns the following securities: District of Columbia funding bond, due 1924, par value, $15,000.

These bonds were examined and allowed as an asset at the appraised market value of $15,750.

Membership and Insurance in Force

The following table shows the membership, insurance in force, and the assessments levied during the past five months, the period of the society's corporate existence.

Date	Members	Insurance	Assessmen
October	7,519	$6,015,200 00	$11,278 50
November	7,593	6,074,400 00	11,389 50
December	7,602	6,081,600 00	9,122 40
January	7,544	6,035,200 00	10,561 60
February	7,699	6,159,200 00	11,548 50

Salaries of Officers

M. I. Pupin, president, serves without salary; P. H. Pavlovitch, secretary, receives a compensation of $125 per month; the members of the supreme council and its subordinate committees receive a per diem allowance and traveling expenses on days actually employed in the society's business.

Examination on condition as of August 31, 1912.

Report dated October 14, 1912.

Examiners: W. A. Billingham and W. F. German.

Ledger Assets

Cash in bank	$18,763 36	
Book value of bonds	19,259 36	
Total ledger assets		$38,022 72

Non-Ledger Assets

Interest accrued on bonds	$383 25	
Assessments in course of collection not over 30 days due	4,124 05	
Assessments in course of collection over 30 days due	1,944 65	
Total non-ledger assets		6,451 95
Gross assets		$44,474 67

Deduct Assets Not Admitted		
Book value of bonds over market value	$179 36	
Assessments over 30 days due	1,944 65	
Total		$2,124 01
Total admitted assets		$42,350 66
Liabilities		
Death claims	$10,960 70	
Disability benefits	3,960 00	
Total due members	$14,920 70	
Due educational fund	271 05	
Due Serb Federation Sloga unincorporated	466 50	
Total liabilities		15,658 25
Balance		$26,692 41

A statement of the income and disbursements from March 1, 1912, to August 31, 1912, inclusive, is as follows:

Ledger assets February 29, 1912		$31,168 02
Income		
Assessments and fees	$70,465 45	
Serb Federation Sloga Unincorporated	805 05	
Books and badges	877 35	
Total income		72,147 85
Total		$103,315 87
Disbursements		
Death benefits	$28,746 20	
Sick benefits	9,775 00	
Accident benefits	9,260 00	
Permanent disability benefits	6,700 00	
Total payments to members	$54,481 20	
Educational fund	4,227 65	
Serb Federation Sloga Unincorporated	545 15	
Books and badges	1,026 90	
Membership certificates	1,109 00	
General expenses	3,903 25	
Total disbursements		65,293 15
Balance, ledger assets, August 31, 1912		$38,022 72

The following is a statement of the Serb Federation Sloga, Unincorporated, which is now in process of liquidation, showing the income and disbursements from March 1, 1912, to August 31, 1912, inclusive, and a statement of the financial condition as of the latter date.

Cash balance February 29, 1912		$113 11
Income		
Badges	$326 65	
Serb Federation Sloga, Incorporated	545 15	
Total income		871 80
Total		$984 91
Disbursements		
Death benefits		675 00
Cash balance August 31, 1912		$309 91
Assets		
Cash in bank	$309 91	
Due from subordinate lodges	2,799 56	
Office supplies	1,245 27	
Furniture	341 18	
Due from Serb Federation Sloga, Incorporated	466 50	
Total assets		$5,162 42
Liabilities		
Death benefits	$2,158 35	
Benefits for members' wives	898 90	
Due educational and benefit fund	313 69	
Borrowed money	1,591 38	
Surplus	200 10	
		$5,162 42

Remittances of Sub-Assemblies

It is the general practice of sub-assemblies to make monthly remittances to the society in payment of assessments, initiation fees, etc. For this purpose the society has furnished the local treasurers with a blank to accompany the same and designed to show the name and number of the sub-assembly, the purpose of the remittance and the signature of the remitting officer.

It was found that such statements were missing from the society's records in a great many cases, and the supreme secretary stated in explanation that he had found it impossible to induce the officers of certain of the sub-assemblies to forward them; that remittances are sometimes received without even so much as a word of explanation to indicate to whom credit should be given, except the signature on a check or the post-office mark on a money order. He stated also that he had endeavored to persuade such officers to perform their duties in a proper manner, but thus far with only indifferent success.

We believe that the society should not tolerate such methods and that it should take drastic action, if necessary, to compel sub-assemblies who are thus derelict to elect as their officials men who are both competent and willing to conduct its affairs in a businesslike manner.

As a further means of precaution we would suggest the advisability of establishing a means of notification of remittances separate from and independent of the method above indicated. We believe that it would be wise, if the society deems it practicable, to adopt a plan whereby some officer of each sub-assembly other than the one who makes the remittance, should make a separate report to some officer of the supreme assembly, other than the supreme secretary, of remittances as made. This would make possible, by the appointment of a suitable committee, the making of an effective audit of the income as shown by the books kept by the supreme secretary.

Disbursements

Claims: All claims are passed upon by the supreme executive board, and upon approval the supreme president and supreme secretary are authorized to issue checks in payment thereof.

While it is the general practice to draw checks for death claims payable to the stated beneficiaries, yet in a number of instances such checks have been made payable to the sub-assembly with which a deceased member was affiliated. The Supreme Secretary stated that this was sometimes done in cases where the insured was indebted to his sub-assembly, thus enabling the latter to deduct such indebtedness and pay the balance to the beneficiary; also in cases where the society had not the post-office address of the

beneficiary. In the cases where this plan has been pursued, the society has in its possession nothing whatever to prove that a claim has been paid to the person or persons entitled to receive the benefit.

It will be readily seen that this practice is fraught with possibilities of grave abuses, and we urgently recommend that death benefit checks be drawn to the order of the beneficiaries themselves in every instance.

ASSETS

Cash: Bank deposits were verified by means of bank certificates and reconciled with the records of the society. The average monthly balance for the last six months has been over $19,000, on which no interest has been received.

Bonds: The society owns thirty-six District of Columbia coupon funding bonds of $500 each, bearing 3.65 per cent. interest, maturing August 1, 1924. These bonds are not registered and are kept by the president in his personal safe deposit box. Prudence would seem to require that they be either registered or kept in a safe deposit box in the name of the society and access had to them only by at least two officers acting jointly. The bonds were examined, counted and allowed as an asset at the market value of $19,080.

LIABILITIES

Unpaid claims: The total amount of death claims filed with the society to the date of this examination has been treated as a liability. However, claims amounting to $8,410 were not approved until September 1st and are not due until the assessment levied in September is collected.

Assessments: We have allowed as an admitted asset uncollected assessments due not more than thirty days.

MEMBERSHIP AND INSURANCE IN FORCE

1912	Number of members	Insurance in force
March	7,770	$6,216,000
April	7,809	6,247,200
May	8,025	6,420,000
June	8,111	6,488,800
July	8,360	6,688,000
August	8,602	6,881,600

UNITED STATES GRAND LODGE OF THE INDEPENDENT ORDER SONS OF BENJAMIN

NEW YORK, N. Y.

Examination on condition as of August 31, 1912.
Report dated October 1, 1912.
Examiner: John L. Train.
Assistant Examiner: Morris Finkelstone.

This order commenced business on December 23, 1877, and was incorporated under the provisions of the Insurance Law on June 27, 1895.

Ledger assets		
Mortgage loans	$30,000 00	
Deposit with Provincial Treasurer of Quebec, Canada	5,000 00	
Cash in bank on interest	24,782 06	
Cash in office	35 00	
Total ledger assets		$59,817 06
Non-ledger assets		
Accrued interest	$871 76	
Unclaimed interest on trust funds	74 22	
Assessments collected and in hands of subordinate lodges	4,331 56	
		5,277 54
Total assets		$65,094 60
Liabilities		
Unpaid death claims	$27,500 00	
Headstone deposits	774 00	
Miscellaneous bills due and accrued	220 53	
Total liabilities		28,494 53
Balance August 31, 1912		$36,600 07

A statement of the income and disbursements of the order from January 1, 1912, to August 31, 1912, inclusive, is shown as follows:

Balance, ledger assets, December 31, 1911, as per order's records	$74,051 82

Income

Assessments and per capita tax	$80,798 84	
Interest	1,990 47	
Permit fees	99 25	
Supplies	1 60	
Disinterment fees	55 00	
Accounts previously charged off	19 44	
Headstone deposits	675 00	
Total income		$83,639 60
Total		$157,691 42

Disbursements

Death claims	$91,364 63	
Charity	504 62	
Headstone deposits returned	500 00	
Salaries of officers	2,000 00	
Donation to officers	250 00	
Management expenses	3,255 11	
Total disbursements		97,874 36
Balance, ledger assets, August 31, 1912		$59,817 06

ASSETS

Mortgage Loans: The order has two outstanding loans amounting to $30,000, secured by mortgages on property located at 165-167 and 171 and 173 East 108th street, New York city. Both loans bear interest at the rate of 5 per cent. The titles were examined and the property appraised by the Department in 1909.

Deposit in Quebec, Canada: This deposit of $5,000 is made with the provincial treasurer of Quebec, Canada, and is held for the protection of the policyholders located in that province.

LIABILITIES

Death Claims: The mortuary committee meets once a month, usually about the 20th, and passes on the death claims, and the executive committee levies an assessment the following month to pay the approved claims.

Deposits for Headstones: Every member of the order who is to be buried in the order's cemetery must, through his beneficiary,

guarantee to erect a headstone. The order deducts the sum of $25 from the death benefit as a guarantee of same, the said sum to be repaid when the headstone is erected, otherwise the order will use the said sum for that purpose. For the purpose of this report the amount of these deposits has been carried as both an asset and a liability, it being in the nature of a trust fund.

Cemeteries

The order owns and maintains two cemeteries for the burial of members, their wives and children. The cost of the maintenance thereof is paid from the general fund.

Organization and Membership

This order transacts business under the subordinate lodge system, levying its assessments upon the lodges, who in turn collect the same from the individual members.

Many of the subordinate lodges have their own benefits in addition to those of the grand lodge, for which they levy additional assessments upon their respective members.

The order accepts as members those of the Hebrew faith, exclusively, of both sexes, between the ages of 18 and 45 inclusive, A female, however, is accepted only on the condition that her husband is, or will become with her, a member of the order.

Prior to the year 1901, the order insured husband and wife together, the former for $1,000, and the latter for $500. During that period if the husband died first, the wife ceased to continue her membership. In the year 1901, the society amended its by-laws so that the wife became a distinct member apart from her husband, with all the rights of a regular member. In 1901 the order also divided its membership into two classes:

(1) Male members were continued at $1,000 benefit and were known as Class "A".

(2) Female members were continued at $500 benefit and designated as Class "B".

In 1902 the convention provided that members could transfer from Class "A" to Class "B" and that new members could be initiated into Class "B". As the Class "B" benefit was $500

and the Class "A" $1,000, it was provided that the Class "A" assessments should be twice those in Class "B". Under this arrangement but few members transferred from Class "A" to Class "B".

In October, 1907, the executive committee adopted a resolution whereby the deaths occurring in each class were to be assessed upon the members of the class separately. This was done in order to secure younger members who could become members in Class "B". However, it was not until 1909 that the constitution was amended to provide for this separation of assessments, although the classes had been assessed separately for over a year. The result of this change in the method of assessment was a great increase in the assessments upon the Class "A" members on account of the increasing death rate in that class which comprises the older members, and virtually compelled those members to either lapse their membership or transfer to Class "B", and whereas the order had 10,332 members in Class "B" and 7,201 in Class "A" in January, 1909, the membership in December, 1910, was 10,839 in Class "B" and only 4 in Class "A".

The organization and extension of Class "B" did not bring the result hoped for, which was the initiation of a large number of young members in Class "B" for the purpose of decreasing the death rate and the amount of mortuary assessments. The result has been a general dissatisfaction within the order and a large number of lodges have been suspended for their failure to pay assessments. The membership has shown a steady decrease in numbers to such an extent that in September, 1912, the order had but 3,958 Class "B" members and 2 members in Class "A". The latter are now assessed but twice the amount assessed on Class "B" members.

Rates

Prior to May, 1911, the system of rates, as explained above, was based entirely upon the number of deaths. However, at the said time a new schedule of rates according to age was adopted and is still in effect. The rates of assessment per month for each death, with the number of members in each class, and a com-

parison of the membership in May, 1911, with September 1912, is shown as follows:

Age	Class "B" Rate of assessment	Number of Members May 1911	Sept. 1912
18–24	$0 01	32	8
25–29	01¼	102	36
30–35	01½	172	67
36–40	02	288	136
41–45	03	750	305
46–50	05	1,415	486
51–55	05½	1,840	697
56–60	06	1,919	819
61–over	07	2,575	1,404
		9,093	3,958
Class "A" members		3	2
Totals		9,096	3,960

I find that even in May, 1911, one assessment would produce $500.06 for a benefit of $500, and in September, 1912, one assessment per death will produce only $223.75, being not one-half the amount sufficient to pay a death benefit of $500. To try and meet this situation the convention of March, 1912, adopted the following resolution as the result of a recommendation of a committee appointed to consider the question of rates:

"The undersigned committee appointed for the purpose of considering the readjustment of rates recommend that no readjustment of rates be made but that the constitution be amended by providing that the executive committee be empowered to levy such number of assessments as will produce an adequate amount to pay the death claims of each month."

Pursuant to this resolution assessments were levied for more than the number of deaths. The number of deaths, with the number of assessments called are shown by months from November, 1911, to April, 1912, inc., as follows:

1911	Number of deaths	Number assessed for
November	18	22
December	20	24
1912		
January	19	24
February	19	24
March	20	25
April	22	30

Even these rates of assessments were found insufficient to pay the death claims. It was necessary to increase the number of assessments, and at a special convention held in May, 1912, a resolution was adopted empowering the executive committee "to call for not more than thirty-five assessments (per month), and if there be any deficiency, then an amount not exceeding $10,000 may be drawn from the Mutual Guarantee Fund by the executive committee for such assessments." Since May, 1912, the deaths and number of assessments called have been as follows:

1912	Number of deaths	Number of assessments
May	28	35
June	24	35
July	19	35
August	18	35
September	20	35

In addition to these assessments it has been found necessary to transfer from the reserve or mutual guarantee fund to the mortuary fund the sums of $46,000 in 1911 and $16,000 thus far in 1912. Moreover, with the present membership and method of levying assessments, it will be necessary to make additional transfers in order to meet the death claims incurred.

By levying for 35 deaths per month the fixed rate of assessment per member is now as follows:

Age	Rate	Age	Rate
18–24	$0 35	46–50	$1 75
25–29	44	51–55	1 93
30–35	53	56–60	2 10
36–40	70	61–over	2 45
41–45	1 05		

The average age of the members is now 56½ years. This is a decided increase since May, 1911, when the average age was 50.5. This indicates that the younger members are dropping out in greater numbers than the older.

Reinsurance Proposition

On account of the rapid decrease in membership and an increase in the monthly assessments causing dissatisfaction among

the members, the special convention held in May, 1912, took up the question of rates and discussed a proposition to reinsure the members in the Metropolitan Life Insurance Company. The proposition as then submitted was not accepted by the members and it is probable was not authorized to be made by the Metropolitan Company. The convention was adjourned subject to the call of the grand master and the matter of reinsurance was left to be investigated by the executive committee. However, the Metropolitan Life Insurance Company has now submitted a formal proposition to reinsure all the members without medical examination at the following monthly rates at attained ages for $500 of insurance:

Various ages	Rate	Various ages	Rate
20	$0 68	60	$3 13
25	79	65	4 01
30	92	70	5 21
35	1 06	75	6 85
40	1 32	80	9 11
45	1 60	85	12 30
50	1 98	89	16 32
55	2 47		

I am informed it is the intention of the grand master to call a special convention of the order to be held the first part of October this year to take action either on the reinsurance proposition or another increase in rates.

Conclusion

The examinations of the order made during the past three years have shown that a constant increase of assessment rates is inevitable in order to meet the death claims incurred. It has also been shown that the membership has steadily decreased and that the order has failed to secure new and younger members. In fact practically all efforts to secure the same have been abandoned. The younger members have looked elsewhere for insurance and have been able to obtain it in other Hebrew orders at a lesser cost. The average age is increasing and it follows that the death rate and the assessments necessary to pay the death

claims will also increase. It is evident that with no young members coming into the order the assessments will before long become prohibitive to most of the members. Up to this time the members have had their protection at a very reasonable cost as a whole, in fact at a cost which has proved to be a loss to the order, considering the actual cost to carry the membership at the average age.

If the order decides to reinsure with a solvent institution, the members will be assured of absolute protection. The reinsuring rates may be considered high by the members, especially in comparison with the rates they have been paying, but should the order continue to do business, the members remaining will be compelled to pay assessments much higher than the rates set forth under the reinsurance proposition. Hence, for the good of the present members it is recommended that the reinsurance proposition of the Metropolitan Life Insurance Company be accepted. The time has arrived when it is necessary for the members to look into the future for their own protection and to meet the situation as it exists. Delay in taking action will only increase the burden at a later day. Should the members decide that reinsurance is not desirable, it will be necessary for the order to make a radical increase in its assessments, as the funds are being rapidly depleted to pay the maturing obligations.

Officers

The officers elected at the last annual convention are as follows:

Grand Master, Richard Cohn.
First Deputy Grand Master, Hugo Guttman.
Second Deputy Grand Master, Jacob Hyman.
Third Deputy Grand Master, Morris Cohen.
Grand Treasurer, Peter Munter.
Grand Secretary, Louis B. Franklin.
Counsel, Bernard Alexander.

The secretary receives a salary of $3,000 per year, out of which he pays the salary of a clerk, and the counsel receives $1,000.

INDEPENDENT ORDER OF TRUE FRIENDS

BROOKLYN, N. Y.

Examination on condition as of November 30, 1912.
Report dated December 30, 1912.
Examiner: J. F. Tucker.

Ledger Assets

Cash in banks on interest		$9,465 47
Cash in hands of treasurer		16 00
Total assets		$9,481 47

Liabilities

Unpaid death claims	$50 00	
Accrued salaries	143 33	
Total liabilities		193 33
Balance November 30, 1912		$9,288 14

The income and disbursements for the period of eleven months ending November 30, 1912, were as follows:

Income

Assessments, fees and per capita tax	$7,910 50	
Sale of lodge supplies	120 12	
Interest on bank deposits	311 66	
Total income		$8,342 28
Balance December 31, 1911		9,886 85
Total		$18,229 13

Disbursements

Death claims	$7,400 00	
Disability claims	200 00	
Total payments to members	$7,600 00	
Management expenses	1,147 66	
Total disbursements		8.747 66
Balance November 30, 1912		$9,481 47

Membership

All white male persons of good moral character and sound bodily health, between the ages of 18 and 45 years are eligible for membership. There are at present twenty-eight subordinate lodges with a total membership of 1,935. The amount of insurance in force is $483,750.

Assessments and Benefits

Assessments are levied upon the subordinate lodges as often as may be necessary to pay death claims. Each assessment is uniformly $1 per member, regardless of age.

Certificates are issued for but one amount, viz., $250, but, upon the death of his wife, a member receives $50. Total disability of any member who shall have been in good standing for at least seven years entitles him to a payment of $100, convincing evidence of such disability having first been submitted to the board of trustees. In either such contingency the member continues to pay assessments until death, when the beneficiary receives the face of the policy less any previous payments which may have been made as described above.

Benevolent Fund

The supreme lodge makes no provision for ordinary sick and accident benefits. The subordinate lodges, however, maintain a fund for that purpose known as the "benevolent fund." Such fund is supervised by the board of trustees of the supreme lodge, but the moneys do not in any way enter into the accounts of the latter lodge.

On April 12, 1912, $500 was taken from the general fund of the supreme lodge and, by order of the trustees, turned over to the benevolent fund as a loan. This loan was repaid on November 7, 1912.

Article IX, section 3 of the by-laws reads as follows:

"The Board shall be empowered to set aside any portion of the funds of the order, not otherwise required to comply with any of the provisions of the Insurance Laws of the State of New York, for such purpose as it may deem necessary to carry into effect the fraternal objects of the Order."

It would seem, therefore, that such use of funds by the trustees is not subject to criticism.

The income and disbursements of the benevolent fund, which, as above stated, do not enter into the records of the supreme lodge were, for the period under examination, as follows:

Income

Payments by members	$15,093 00
Interest	64 97
Total income	$15,157 97
Balance December 31, 1911	4,315 46
Total	$19,473 43

Disbursements

Sick and accident claims	$15,419 81	
Salary of treasurer	150 00	
Total disbursements		15,569 81
Balance November 30, 1912		$3,903 62

Assessments of $1 per member are made at such intervals as may be necessary to maintain this fund, but no member can be suspended or otherwise penalized for failure to contribute, excepting, of course, that no member refusing to support the fund can participate in its benefits.

Ten dollars per week for not more than thirteen weeks and $5 per week thereafter, comprise the benefits, but no member can draw more than $500 for sickness and accident during his entire membership. Having drawn this amount he is not entitled to further benefits, nor does he make any further contribution to this fund.

Officers

The officers of the supreme lodge are elected by the convention and their salaries fixed by the same body. Their term of office is two years. The officers elected by the last convention, with the salary of each, are as follows:

Supreme President, R. E. Jones	$100 00 annually
Supreme Vice-President, V. Hirth	25 00 annually
Supreme Secretary, M. R. Clark	600 00 annually
Supreme Treasurer, E. Behrens	75 00 annually

The secretary is required to give bond for $1,000 and the treasurer for $2,000. The trustees are bonded for $9,000.

Live Stock Insurance Companies

[1001]

BUFFALO CO-OPERATIVE LIVE STOCK INSURANCE COMPANY

WESTFIELD, N. Y.

Examination on condition as of January 31, 1913.
Report dated February 28, 1913.
Examiner: William A. Billingham.

This company transacts the business of insuring the lives of domestic animals upon the co-operative or assessment plan, under the provisions of article VIII of the Insurance Law.

This examination was made as of January 31, 1913, and the following statement shows the income and disbursements for the period from January 1, 1912, to the above date, inclusive, and the assets and liabilities at the close of business on said date.

Income

Assessments	$6,879 68
Donations by directors	3,827 20
Total income	$10,706 88
Total ledger assets December 31, 1911, per company's annual statement	4,727 67
Total	$15,434 55

Disbursements

Death claims	$5,607 78	
General management expenses	6,085 87	
Bills receivable charged off	1,558 52	
Agents' balances charged off	1,159 94	
Total disbursements		14,412 11
Balance		$1,022 44

Ledger Assets

Cash in banks (not on interest)	$564 26
Bills receivable	167 70
Furniture and fixtures	292 48
Total ledger assets	$1,022 44

Non-ledger Assets.		
Assessments actually collected by agents not turned over to company		$92 54
Gross assets		$1,114 98
Deduct Assets Not Admitted		
Bills receivable	$167 70	
Furniture and fixtures	292 48	
		460 18
Total admitted assets		$654 80
Liabilities		
Unpaid claims, salaries and miscellaneous bills		627 41
Excess of admitted assets over liabilities		$27 39

This examination was made for the purpose of showing the financial condition on January 31, 1913, and also for the purpose of ascertaining the correctness of certain items of income and disbursements in the annual statement for 1912, namely, directors' donations, $4,500," "bills receiveable charged off $1,556.52," and "agents' balances charged off $1,832.74;" also the liability for unpaid losses.

It appears that in the month of November, 1912, the board of directors was reorganized by the election of three new men, viz., E. N. Skinner, J. A. Prendergast and W. T. Nicol; two of the old directors, Perry A. Wolf and C. G. McLellan remaining. The directorate as presently constituted is as follows:

Perry A. Wolf, Ripley, N. Y.
J. H. Prendergast, Westfield, N. Y.
E. N. Skinner, Westfield, N. Y.
W. T. Nicol, Westfield, N. Y.
C. G. McLellan, 48 Horton Place, Buffalo, N. Y.

New officers also were elected during the month of November, 1912, as follows:

Perry A. Wolf, President.
J. H. Prendergast, Vice-President.
E. N. Skinner, Secretary-Treasurer.

C. G. McLellan continues in his official capacity as manager.

The annual statement of the company for the year ending December 31, 1912, subscribed and sworn to January 13, 1913,

and received by the Department February 13, 1913, is erroneous and false in respect to "Directors' donations $4,500," and "Agents' balances charged off $1,832.74."

When the new directors assumed the management, as above stated, they found the company in an insolvent condition. Thereupon it was mutually agreed, according to verbal statements made by the officers to your examiner, that each director should donate $900, making $4,500 in all, in order to place the company in a solvent condition. The officers also stated that it was understood and agreed that Perry A. Wolf should return to the company the sum of $672.80 which he had previously received of the company's funds in payment of a personal indebtedness of M. E. Holcomb, and should receive credit therefor on account of his donation of $900. In order to make this transaction clear it is necessary to review briefly the facts concerning the said payment of $672.80 of the company's funds by Holcomb to Wolf, remembering that at the time it was made Wolf was president, as he is now, and Holcomb was secretary-treasurer.

It appears that on December 27, 1911, Holcomb negotiated a personal loan of $1,090 from Wolf, giving his promissory note for two months. This note was renewed on February 27, 1912, at which time Holcomb gave Wolf, as collateral security, a check signed by himself as treasurer of the company, the understanding being, according to Wolf's affidavit of February 15, 1913 (Exhibit B, hereto annexed), that Holcomb should maintain a sufficient balance in the bank at all times to meet the check. On September 7, 1912, Holcomb having defaulted in the payment of his last renewal note, Wolf presented the $1,090 check to the bank for payment, and was informed that funds to the amount of $672.80 only were on hand to meet it. Wolf thereupon deposited $417.20 of his personal funds to the credit of the company, and the bank then cashed the $1,090 check.

If it is claimed that Wolf made good to the company the $672.80 which he wrongfully received from it on September 7, 1912, it cannot also be claimed that he donated at that time $900. When your examiner interviewed the directors in regard to such donations they each admitted (excepting W. T. Nicol, who was out of town and not accessible), that a certain joint affidavit by them

made and filed with the Insurance Department (Exhibit A, hereto annexed) was incorrect. Thereupon they each (excepting Mr. Nicol) executed other affidavits showing that the actual amount of donations made was $3,827.20 and not $4.500 (Exhibits C and D, hereto annexed). Mr. Wolf in his last affidavit also outlined the complete transactions herein referred to between himself and M. E. Holcomb.

The directors deny any intention on their part to deceive or mislead the Insurance Department in this matter, and claim that their good intentions are evidenced by a certain paper sent by the company to the Insurance Department accompanying letter of January 28, 1913, in which an attempted explanation is made. Their idea appears to have been to give President Wolf credit for a donation of $900 and to charge off as agents' balances the $672.80 which he had received from the company on account of Holcomb's $1,090 debt to him, ignoring the fact that the $672.80 was not an agents' balance at all, but was a purely private matter between Holcomb and Wolf, concerning which the company had no responsibility whatsoever, notwithstanding the fact that Holcomb gave Wolf the company's check for $1,090 as collateral to his personal note. This act of Holcomb's, however heinous, and even probably criminal, though it be, is no excuse for Wolf, for they were both officers of the company, and the latter should have observed, if indeed he did not, as he claims, that the check given to him by Holcomb was the company's check; and since he was at that time president of the company he should have known also whether Holcomb was entitled to use that check in payment of a personal debt. Furthermore, as president of the company he should not have permitted the issuance of any check of the company without a warrant signed by the secretary and himself, for the by-laws provide this limitation on the treasurer's powers. The practice of the company in this respect is still as censurable as it has been hitherto, since checks are being issued bearing only the signature of the secretary-treasurer.

The by-laws provide that the offices of secretary and treasurer shall be held by two persons. They are now combined in one man.

Bills Receivable Charged Off: It was found to be impossible to make any check of this item. The books show that when the

new officers assumed control in November, 1912, there was a balance of $1,558.52, but the present officers state that the amount of bills receivable which actually came into their possession was only $810.82; that they have no knowledge concerning the balance of $747.70; that they believe the notes comprising the $810.82 to be valueless, and for these reasons have charged off the entire $1,559.52 in the annual statement as of December 31, 1912.

Unpaid Losses: The company has no record book showing losses incurred under the old management, and it was not possible therefore to verify the sum of $640, representing unpaid losses in the annual statement as of December 31, 1912; nor the affidavit of E. N. Skinner, secretary-treasurer, that unpaid losses did not exceed $555.16 on January 31, 1913 (Exhibit E hereto annexed). Claims for losses incurred since the present officers were elected have been paid promptly.

M. E. Holcomb: I have made diligent effort to ascertain Mr. Holcomb's whereabouts for the purpose of getting his explanation of the Wolf transaction, if he has any to offer; also to learn, if possible, the whereabouts of the missing bills receivable, and to get a statement of the unpaid agents' balances, but without success. The officers of the company, however, state that they believe he is in Buffalo at the present time.

Conclusion and Recommendations

Notwithstanding the questionable character of the whole proceedings in connection with donations and agents' balances, indicated herein, I am of the opinion that the intentions of those involved were not essentially dishonest, except possibly in the case of President Wolf, and even in his case, after a searching interview with the man himself, and also a thorough investigation concerning him in his home community, I am inclined to think that he is not so blameworthy as appearances indicate. I do believe, however, that he is utterly incompetent to fill the office of president of an insurance company, and I am confirmed in this belief by his statement to me that when he first accepted the presidency he was informed that his duties would be of a merely nominal nature and that Secretary Holcomb would manage the company's business. He further stated that he had never read the

by-laws and had no knowledge of their provisions. On February 15, since this examination was begun, he has made a further donation of $672.80, thus making the total contributed by him $900.

It would seem, under the circumstances, that it would be well if the present president resigned his office and another were elected in his place, and that henceforth all checks be issued only upon the warrant of the president and secretary, as required by the by-laws, and that the company provide an additional fund of at least $2,500 — this in view of the history of the hazardous business in which it is engaged, and especially the experience of this company. If this is not done the protection of the policyholders will necessitate examinations by this Department at very frequent intervals in order to ascertain its solvency.

MISCELLANEOUS SPECIAL REPORTS

[1009]

GOPHER FLOWER LODGE NO. 462, BRITISH ORDER OF ANCIENT FREE GARDENERS' FRIENDLY SOCIETY

New York, N. Y.

Examination to ascertain legal status in this State.
Report dated March 15, 1913.
Examiner: W. W. Streeter.

The British Order of Ancient Free Gardeners' Friendly Society is an organization claiming to be doing business under the British Friendly Societies Act. A description of its constitution and objects can best be supplied by the following excerpt from its rules:

Name, Constitution and Registered Office

1. This Society shall be called the "British Order of Ancient Free Gardeners' Friendly Society." It shall consist of an unlimited number of members of either sex, divided into branches called Districts and Lodges, as herein provided, and shall carry on its business at No. 27 Oswald Street, City, Glasgow, in the County of the City of Glasgow, which shall be the Registered Office of the Order; and when the Registered Office is changed, notice thereof shall be sent to the Registrar within fourteen days thereafter, in the form prescribed by the Treasury Regulations in that behalf.

Objects of the Society.

2. The objects of the Society shall be:

To provide by entrance fees, contributions of the members, fines, donations, levies, and by interest on invested capital —

(a) For insuring a sum of money to be paid on the death of a member, or for the funeral expenses of a member's wife, or the wife of an expelled member, who becomes a member, or children under sixteen years of age, or the widow of a deceased member.

(b) For the relief of the members, or in cases hereby, or in the rules of any branch provided, the wives, children, fathers, mothers of members, during sickness or other infirmity over which they have no control, whether bodily or mental, in old age, or in widowhood; or

(c) For the endowment of members, or nominees of members, at any age.

(d) For relieving widows and orphans of deceased members.

(e) For providing proper medicine and medical attendance for members.

(f) For granting temporary assistance to the widows and children of deceased members.

(g) For assisting members in distressed circumstances.

(h) For guaranteeing the performance of their duties by officers and servants of the Society or any branch thereof.

(i) And for assisting branches unable to meet their engagements.

According to its report as of April, 1912, the society claims a membership of 58,383 distributed among about 500 local lodges. All but about 40 of these lodges are located in Great Britain and Ireland, and it is to these lodges in the United Kingdom that the rules are more directly applicable. The forty lodges not located in the United Kingdom are denominated in the society's reports colonial lodges. They are nearly all located in the British West Indies. Gopher Flower Lodge No. 462 is one of the colonial lodges and the only lodge of the society in the United States. The members of Gopher Flower Lodge are exclusively negroes and many of them are West Indian or British extraction.

The relation of these colonial lodges to the parent organization with reference to sick and death benefits and other financial matters is set forth in rule 38 and section 9 of rule 18 of the rules of the society, as follows:

BRANCHES BEYOND THE UNITED KINGDOM

38. (1) All branches opened in any country beyond the United Kingdom shall contribute by levies, donations, or fees, the same as branches in the United Kingdom, towards the Management Fund; and all such branches shall have notice of the amount of levies fixed for each year, and the date due, immediately after such levies have been fixed.

(2) All branches established beyond the United Kingdom, in the British Colonies or foreign countries, shall fix their own sick and funeral benefits according to the circumstances surrounding them, and subject to the approval of the Executive Committee.

(3) All branches established beyond the United Kingdom shall furnish an annual return on a form supplied for that purpose, which must be to hand not later than 1st March of each year, or be fined a sum of Two Shillings and Sixpence for neglect.

GENERAL SUBSIDIARY AND DISTRESS FUND

18. (9) A Subsidiary and Distress Fund shall be established in every branch of the Order in the United Kingdom (districts to fix sum payable per member), for the purpose of relieving members in distress, paying their contributions when out of employment, and for paying the levies made from time to time by the Central Body to the General Subsidiary and Distress Fund. Branches beyond the United Kingdom shall be at liberty to establish independent subsidiary and distress funds.

I find that the local organization began as a sort of club in 1905, and continued as such until granted a charter by the British Order of Ancient Free Gardeners in 1908, since which time it has been operating as a lodge, with a ritual and secret work of the description common to such bodies. It meets on the first and third Thursdays of each month in Odd Fellows Hall, 206–208 East 128th street, New York.

I am informed that there have been formed in New York two clubs of adult males and one of adult females, who wish to organize as lodges in every respect similar to Gopher Flower Lodge as soon as they can receive recognition as such from the parent organization in Scotland. As there has been considerable delay in receiving this recognition there is some doubt if it will be obtained. Violet Club, concerning which the Department already has a communication, is one of these clubs.

The number of charter members of the lodge was about 93. The membership has never exceeded 175 in number. At present there are about 130 "financial" members, i. e., members in good standing, and 7 "unfinancial" members, i. e., those members so far in arrears in their dues and assessments that they are not entitled to benefits until arrearages are paid. All members are adult males.

The present officers of the lodge are as follows:

Worthy Master John C. Bayne 22 West 132d street, New York.
Deputy Master Reginald Austin, 158 Third avenue, Brooklyn, N. Y.
Past Master Edward Gibbs.
Senior Warden John Howard.
Junior Warden Amos Graham.
Financial Secretary Cameron L. Brown, 47 Fleet place, Brooklyn, N. Y.
Recording Secretary Larry B. Elcock, 21 West 137th street, New York.
Treasurer James Wiltshire, 10 West 131st street, New York.

Monthly dues of 50 cents are collected from each member. In addition, post mortem assessments are made as follows:

On the death of a member	75 cents per capita
On the death of a member's wife	35 cents per capita
On the death of a member's child under 16 years of age	20 cents per capita

An initiation fee is charged for each of the three degrees of the society. Small fines are exacted for infractions of the rules

of the lodge. A small profit is made from the sale of regalia, an annual entertainment is given at a profit to the lodge, and an interest income is realized from the lodge's funds.

All benefits of every description — death, sick and funeral — are paid exclusively out of the treasury of the local lodge. The amounts are as follows:

On the death of a member	$100
On the death of a member's wife	50
On the death of a member's child under 16 years old	15

Sick benefits are paid at the rate of $7 per week for the first six weeks and $3 per week for the next seven weeks. The maximum amount that may be so paid during any twelvemonth is $63. Funeral benefits seem to be confined to a moderate amount spent for flowers.

All members pay the same dues and assessments, without regard to age or size of family. For instance, a bachelor 25 years old or younger, for whom the lodge's maximum liability would be $100, pays the same dues and assessments as a married man of 50 or older, who by reason of greater age and possibly a large family renders the lodge liable for more imminent, more frequent and greater losses.

The correspondence between Gopher Flower Lodge and the parent organization appears to be meager both as to quantity and quality. There seems to be little else than the cypher communications of the quarterly pass words, and an occasional circular letter. The members best qualified to state inform me that there has been no levy of the 8 cents per capita annual maintenance tax for a year or two back, and ascribe as a reason the operation of the new British Insurance Act.

The lodge does not issue insurance certificates nor do the members of Gopher Flower Lodge, as far as I can learn, have any insurance certificate of any description from the British society.

I am informed that no compensation is offered, given or allowed for securing new members.

A number of the members whom I interviewed are Odd Fellows, and they state that in no essential particular, except as regards benefits on account of the death of members' children, do

the Gardeners, as organized in this country, differ from the Odd Fellows. I am inclined to believe that if the officers could learn specifically just what proofs and affidavits are necessary to show to the satisfaction of the Superintendent of Insurance that Gopher Flower Lodge is similar to any local colored lodge of Odd Fellows, such proof and affidavits would be forthcoming.

The by-laws of the lodge are now undergoing revision at the hands of a committee appointed for the purpose. Those officers of the lodge and members of the committee whom I interviewed express a desire to conform to the requirements of the law in every particular. I have the assurance that should the provision for the payment of a benefit on account of the death of a member's child, be adjudged illegal, such benefit will be eliminated. With this desire to conform to the law, however, there is coupled a marked reluctance on the part of a majority of the members to sever the affiliation they have with the lodges of the society in other countries. In short it appears that the majority wish the minimum change in their organization and rules consistent with the requirements of the law.

Some of the members who were prominent in founding the lodge have been ambitious to extend its scope and influence in this country. Accordingly, one of their number, Barrow by name, who was connected with the staff of the building in which Mr. Haviland at that time had his office, sought that gentleman's advice as to the correct legal course to pursue. The somewhat extended correspondence referred to at the beginning of this report resulted. Guided by what he believed to be the wish of this Department, Mr. Haviland has advised those of the order who consulted him to incorporate the society in this State. The incorporation of the American Subsidiary Executive of the British Order of Ancient Free Gardeners followed. The incorporators have sought to have the corporation become the controlling authority of the society in this country, and to have it succeed to the good will, prestige, etc., held in the community by Gopher Flower Lodge, should that lodge be dissolved.

Either this course or the manner in which Barrow and his associates presented it, proved very unacceptable to the majority of the officers and members of the lodge, and has given rise to

the accusation that Barrow and his associates are seeking to realize ambitions of a more personal nature. The dissension promises to result in litigation, $150 having already been appropriated from the funds of the lodge for that purpose, with a prospect of more to follow.

Mr. Haviland's interest in the affairs of the lodge appears to be only that of a friendly adviser. He has served it in other matters without making any charge for his services. On one occasion, however, as a token of its appreciation, the lodge made him a voluntary payment of twenty dollars. Aside from his very natural desire to have his advice confirmed by a Department ruling, thus saving from embarassment that faction of the lodge which has followed that advice, his chief concern is that some ruling be made that will definitely fix the status of the lodge so that he can more effectively exert his influence to restore harmony therein and conserve its resources.

The assets of the lodge consist of an interest bearing balance of $1,218.17 on deposit in the Union Dime Savings Bank of this city, and cash amounting to less than $50 in the hands of the treasurer. All benefits more than a week due have been paid, and the outstanding bills are few and small in amount. Its affairs have been economically managed. Its officers have served without pay until recently. The total of the annual salaries now paid is $51.

The books have been so crudely kept that an exact separation of the receipts and disbursements into their various items without the presence of the recording officers, past and present, is difficult.

In 1912, $1,601.54 was received and $1,319.34 was expended, approximately as follows:

Receipts

Dues	$780 00
Assessments	420 00
Initiation fees	50 00
Annual entertainment (gross)	271 54
Fines	20 00
Profit on sale of regalia	30 00
Interest	30 00
	$1,601 54

Disbursements

Death benefits	$395 00
Sick benefits	417 00
Expenses of annual entertainment	175 00
Rent	74 50
Salaries	25 50
Supplies and regalia	102 62
Legal expenses	20 00
Miscellaneous	109 72
	$1,319 34

THE EASTERN TORNADO INSURANCE ASSOCIATION

NEW YORK, N. Y.

Examination on condition as of December 12, 1912.
Report dated December 12, 1912.
Examiner: A. Z. Banta.

History and Organization

In the early part of the year 1909 it was proposed by some of the companies writing tornado windstorm insurance in the Eastern, Middle and New England States to organize for the general improvement and betterment of conditions in respect to such insurance; a few meetings were held, the above named association formed, and constitution and by-laws agreed upon and signed.

A meeting was held at the office of the Home Insurance Company, No. 56 Cedar street, May 18, 1909, for the purpose of forming an association by companies writing tornado business in the Eastern, Middle and New England States.

The following companies were represented:
Aachen and Munich Insurance Company.
Aetna Insurance Company.
Caledonian Fire Insurance Company.
Connecticut Fire Insurance Company.
Germania Fire Insurance Company.
Home Insurance Company.
London and Lancashire Fire Insurance Company.
New York Underwriters Agency.

Orient Insurance Company.
St. Paul Fire and Marine Insurance Company.
Shawnee Fire Insurance Company.
Springfield Fire and Marine Insurance Company.
Westchester Fire Insurance Company.
Security Insurance Company.

At this meeting organization was effected by the choice of a name, the adoption of a constitution and by-laws and the election of officers.

On June 9, 1909, a second meeting was held in the office of the Home Insurance Company in New York at which a schedule of rates was reported and the cities of New York, Boston, Philadelphia and the State of New Hampshire excluded from the operation of the association.

Subsequent to this date it does not appear that any meetings have been held.

Membership

At the time of the organization there were about forty-three companies writing tornado-windstorm insurance in the territory proposed to be governed by the association, of which twenty-six signified their intention of joining the association, and twenty-five signed the constitution and by-laws and two others, while refusing to join, agreed with the objects of the association and expressed their willingness to co-operate.

Constitution and By-Laws

The constitution and by-laws adopted follow in general the constitution and by-laws of the "Southern Tornado Insurance Association." It provides in the usual form for the name of the organization, its aims and objects, commissions paid to local agents, election of officers, etc. Article III provides that the association shall be competent to prescribe forms of contract and conditions under which liability for damage by hail and other natural elements except fire or lightning may be assumed by the subscribing companies.

Copy of conditions and by-laws is attached.

Aims and Objects

The object of the association as stated in its constitution "shall" be to disseminate useful information concerning the portion of the country comprising the territory proposed to be subject to the association; to determine form of building and construction best adapted to withstand the impact of the wind, to promote adequate protection to property owners, and as far as possible to regulate rates, forms and conditions of insurance contracts, and commissions paid to agents. Aside from regulating rates, commissions and forms of contracts, the functions of the association are designed to be largely advisory and educational.

Officers and Committees

The constitution provides for the election of a president, a vice-president and a secretary who shall also act as treasurer, and at the meeting held on May 18, 1909, the late Mr. E. H. A. Correa, vice-president of the Home Insurance Company was elected president, Mr. John H. Stoddart, general agent of the New York Underwriters Agency was elected vice-president, and Mr. Jay Zorn of the Home Insurance Company was elected secretary. Although the constitution provides for an executive committee to consist of the president, vice-president and five members, it does not appear that such committee was ever elected.

Rates

The association does not seem to have promulgated any rates although a table of minimum rates was submitted for consideration, for one, three and five-year terms, both on a flat basis and on the regular 50 per cent. coinsurance basis.

The association gathered no statistics, had no income at all, incurred no debts, kept no minute books or books of any kind, and aside from organizing practically nothing was done and the matter was apparently dropped. It is stated that the association made no progress because of the lack of interest on the part of many of the companies, this being due to the fact that very little business of the kind is written in the territory proposed to be covered by the operations of this association.

EXAMINATION OF FOREIGN FIRE INSURANCE CORPORATIONS

AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE UNDER THE PROVISIONS OF SECTION 138

Report dated May 2, 1912.
Examiner: Charles H. Gardner.

Following is a list of all such companies which have secured certificates of authority from the Department, together with the names of the agent or agents through whom said companies conduct the business of fire insurance and issue policies within this State:

Name and Location	Agent or Agents
West of Scotland Ins. Office, Ltd., Glasgow, Scotland	Frank & Dubois, 47 William st., New York.
Les Provinces Reunis Ins. & Re-Ins. Co., Ltd., Brussels, Belgium	Frenkel & Company, 44 Cedar st., New York.
National General Ins. Co., Ltd., London, England	J. S. Frelinghuysen, 111 William st., New York.
Scranton Fire Insurance Company, Scranton, Pa.	Warren M. Kimball, 123 William st., New York.
London Mutual Fire Insurance Co., Toronto, Canada	James W. Dubrow, 68 William st., New York.
Metropolitan Fire Insurance Co., Chicago, Illinois	Edward E. Hall & Company, 123 William st., New York.
The Nat'l Ins. Co. of Great Britain, Ltd., Glasgow, Scotland	Edward E. Hall & Company, 123 William st., New York.
The Austrian Elementar Ins. Co., Vienna, Austria	Edward E. Hall & Company, 123 William st., New York.
The Nye Danske Fire Insurance Co., Copenhagen, Denmark	Hall & Henshaw, 49 John st., New York.
The Excess Insurance Co., Ltd., London, England	Hall & Henshaw, 49 John st., New York.

Name and Location	Agent or Agents
National General Ins. Co., Ltd., London, England	Hall & Henshaw, 49 John st., New York.
The Royal London Auxiliary Ins. Co., Ltd., London, England.....	Hall & Henshaw, 49 John st., New York.

The several companies above listed are operating under certificates of authority granted by the Superintendent of Insurance in accordance with the provisions of section 138 of the Insurance Law. The authority so granted is specifically limited to the issuance of policies of fire insurance on bona fide surplus line risks located in the State of New York, and for which applications have been received from special agents licensed under section 137 of the Insurance Law.

The following information was obtained upon the investigation into the affairs of the companies whose names appear in the above list:

On October 14, 1911, a certificate was issued to the West of Scotland Insurance Office of Glasgow, Scotland, designating as agents Messrs. Frank and Dubois. This company has not issued any policies to date of this investigation, its agents claiming that, as the requirements contained in section 138 confined the company's operations to surplus risks located in New York State, it was not deemed advisable, at least for the present, to transact the business of fire insurance under the existing conditions. Correspondence was conducted with the Department looking to a modification of the strict interpretation of the law, but the Department took the position that the company must confine its writings to strictly surplus risks located within the State upon applications received from agents licensed under the provisions of section 137.

On October 14, 1911, a certificate was issued to Les Provinces Reunis Insurance and Reinsurance Company, Ltd., designating as agents Messrs. Frenkel and Company.

Prior, however, to obtaining this certificate, the company transacted the business of fire insurance in the United States for several years, operating through Frenkel and Company by virtue of a power of attorney received by them from the home office of said company. Although business has been written covering property located within and without the State, its total value is small. The

aggregate premiums in force amount to approximately $3,100. Of this sum about $85 represents premiums on surplus risks located within this State, and the remainder, $3,015, is derived from risks located outside the State written both prior to and since the issuance of certificate. It was learned, however, that no new policies have been issued subsequent to April 1, 1912, on property located outside of this State.

On October 14, 1911, a certificate was issued to the National General Insurance Company, Ltd., of London, England, designating as its agent, J. S. Frelinghuysen. For some time prior to the above date this company had been transacting the business of fire insurance insuring property located both within and without the State. The company confined its writing within this State to surplus line risks, the premiums in force at present on such business being the sum of $900, but its operations outside the State were of much larger volume amounting to approximately $25,000 of premiums in force, which would indicate either a large surplus business or else business of more general character. It was ascertained that the company had discontinued this agency and that at the date of this investigation negotiations were being conducted for the purpose of reinsuring its outstanding risks effected through this agent.

On October 14, 1911, a certificate was issued to the Scranton Fire Insurance Company of Scranton, Pennsylvania, designating as agents Messrs. Warren M. Kimball and Company.

Business was conducted by this company for only a short time after the issuance of the above certificate, and its writings were confined to surplus risks located within this State. But twenty policies were issued and of these thirteen remained in force at the date of this investigation. The company ceased writing business on January 2, 1912, and reinsured its outstanding liabilities at said date with the American Union Fire Insurance Company of Philadelphia, Pennsylvania. The unused policies in the hands of agents were returned to the head office of the company at Scranton, Pennsylvania, under date of April 9, 1912.

On November 29, 1911, a certificate was issued to the London Mutual Fire Insurance Company of Toronto, Canada, designating as its agent James W. Dubrow.

This company transacted but a small amount of business after receiving its certificate, and confined its writing to surplus risks located within this State. On or about March 1, 1912, the company practically ceased writing business in the United States, and recalled the certificate held by its agent. All policies were issued from the home office of the company at Toronto, Canada, and of those issued but five remained in force at the date of this investigation.

Certificates designating as agents Messrs. Edward E. Hall and Company were issued to the following companies at the dates entered below:

Name of Company	Date of certificate
Metropolitan Fire Insurance Company of Chicago, Ill...	October 14, 1911
National Insurance Company of Great Britain, Glasgow, Scotland	November 27, 1911
Austrian Elementar Insurance Company, Vienna, Austria	March 19, 1912

As a result of business written on property located both within and without the State the premiums in force by companies at the date of this investigation, which include the writings both before and since the issuance of certificates are set forth below.

	Premium New York State	Premium other States
Metropolitan Fire Insurance Company.....	$172 00	$1,051 00
Nat'l Ins. Co. of Great Britain.....	267 00	9,476 00
Austrian Elementar Insurance Co.....	447 00	6,900 00

The above-named companies operating through Edward E. Hall and Company had transacted the business of fire insurance in the United States prior to the date of the issuance of the aforementioned certificates, and it seems from the amount of premiums in force that the surplus business written, covering property within this State, represents but a small volume of the total business transacted by these companies through this agent.

Certificates designating as agents Messrs. Hall and Henshaw were issued to the following companies at the dates entered below:

Name of Company	Date of certificate
Nye Danske Fire Insurance Co., Copenhagen, Denmark..	October 14, 1911
Excess Insurance Company. Ltd., London, England.....	October 14, 1911
National General Insurance Co., Ltd., London, England..	October 14, 1911
Royal London Auxiliary Ins. Co., Ltd., London, England..	January 29, 1912

As a result of business transacted prior and subsequent to the issuance of certificates insuring property both within and without the State, the premiums in force by companies at the date of this investigation are set forth below:

	Premiums New York State	Premiums other States
Nye Danske Fire Insurance Co.....	$2,983 00	$7,135 00
Excess Insurance Company, Ltd.....	6,519 00	24,254 00
Nat'l General Ins. Co., Ltd.....	8,256 00	79,965 00
Royal London Auxiliary Ins. Co., Ltd.....	1,673 00	22,165 00

It will be noted from the figures submitted that the premiums derived by the foregoing companies represent a large volume of business transacted on risks located outside this State. It is freely admitted by Messrs. Hall and Henshaw, agents for these companies, that operations have been conducted along these lines for some time past. These companies have confined their operations within the State to bona fide surplus risks, but the figures would indicate that on business located outside, acceptances have been of a more general character.

The National General Insurance Company of Great Britain has premiums in force, in addition to the above, amounting to the sum of $27,000, representing business written on risks located in foreign countries, the policies having been issued by Hall & Henshaw.

The Royal London Auxiliary Insurance Company, Limited, has like business in force written through the same office amounting to $4,800.

In connection with the operations of the National General Insurance Company, Limited, of London, England, you are particularly advised that this company has also transacted business in the city of New York through the office of John A. Kelly and Company of 49 John street. No authority has ever issued to the company to operate through such agency. Mr. Kelly's representative has stated to your examiner that all insurance written covers property outside the State of New York. Policies reinsuring risks of other companies bear the counter signature of "John A. Kelly and Company."

This investigation brings out plainly the following facts, viz.:

First: That certain companies have operated properly in accordance with statutory and departmental regulations.

Second: That one company — Les Provinces Reunis Insurance and Reinsurance Company — writing insurance on property located both within and without the State, has since April 1, 1912, issued no policies on property located without the State.

Third: That one company — the West of Scotland Insurance Office — has no policies of insurance by virtue of its certificate granted.

Fourth: That the Scranton Fire Insurance Company, and the London Mutual Fire Insurance Company, have ceased writing business.

Fifth: That the several companies operating through the officers of E. E. Hall and Company, and Hall and Henshaw, respectively, have, both before and after the issuance of licenses, carried on business insuring surplus line risks in the State of New York, as well as other risks located outside of the State, and are so engaged at the present time.

Sixth: That the National General Insurance Company has ceased to operate through the office of J. S. Frelinghuysen, although continuing under other representation.

The authority to write insurance granted these companies as specially outlined in department circular letter of instructions under date of July 1, 1911, is a limited authority permitting such insurers "to issue policies of fire insurance within this State upon application made to them by agents licensed under the provisions of section 137 of the Insurance Law, and not otherwise." Admittedly the Department's instructions have been disregarded by the companies under the respective management of E. E. Hall and Company, and Hall and Henshaw. It is claimed by such agents that they are advised by counsel that section 142, enacted subsequent to section 138, permits by inference the placing of insurance on property located outside the State with non-admitted companies.

EXCISE BONDING BUSINESS AS TRANSACTED IN THIS STATE THROUGH THE EXCISE REINSURANCE AGREEMENT.

Examination as of June 8, 1912.
Report dated August 3, 1912.
Chief Examiner: Arthur F. Saxton.
Examiner: Leon S. Senior.
Assistant Examiners: Heath and Streeter.

Organization

In April, 1906, a number of surety companies formed an association for the purpose of reinsuring each other upon excise bonds executed in this State for applicants desirous of obtaining liquor tax certificates from the State Excise Department. An agreement was entered into whereby each participant was allotted a certain percentage of the total business to be written by the reinsuring companies, and a general method was provided for transacting this business. Similar agreements, with modifications, were entered into and associations formed for the years 1907, 1908, 1909, 1910 and 1911. During the years 1906 and 1907, the business of the association was confined to the counties of New York, Westchester, Richmond, Kings, Queens, Nassau and Suffolk. The association of 1908 and all of the associations organized subsequently extended the territory to cover the entire State of New York.

The scheme of organization, as outlined in the various agreements since 1908, provide for a general or executive committee, composed of one representative from each participating company. Such committee is charged with the general direction and management of the affairs of the association and has complete power to carry out all the purposes of the agreement. The work of this committee is carried out with the aid of two sub-committees, namely, the city administrative committee, which has jurisdiction in the counties of New York, Westchester, Richmond, Kings, Queens, Nassau and Suffolk, and the State administrative com-

mittee, which has jurisdiction in all counties of the State, except those named as constituting the territory of the city administrative committee. Both of these committees exist for the purpose of giving practical effect to the rulings of the executive committee and to take care of the business, subject to the authority of the executive committee.

The following companies are participants in the 1911 agreement.

Name of Company	Participation
American Bonding Company	6.305 per cent.
American Surety Company	13.095 per cent.
Bankers Surety Company	8.73 per cent.
Federal Union Surety Company	8.73 per cent.
Fidelity and Casualty Company	11.8825 per cent.
Fidelity and Deposit Company	8.73 per cent.
Illinois Surety Company	6.79 per cent.
National Surety Company	8.9725 per cent.
Pacific Coast Casualty Company	5 per cent.
United States Fidelity & Guaranty Co.	7.76 per cent.
Equitable Surety Company	3.82 per cent.
United States Guarantee Company	10.185 per cent.

Profit and Loss Account.

The underwriting experience under the agreements of 1906 to 1910, inclusive, has been practically completed, since all further action for forfeiture of bonds on account of violations are barred by statute. Under the 1911 agreement, the experience will not be completed until June 30, 1913. The profit and loss accounts for each agreement are shown herewith:

1906 *Agreement* — (*May* 1, 1906 — *May* 1, 1907)

Premiums		$480,949 59
Salvage		9,070 26
Interest		9,605 94
Commissions	$65.708 26	
Expenses	25,208 28	
Refunds	3.333 50	
Losses	82.886 82	
Surplus (net profits)	322,488 93	
	$499,625 79	$499,625 79

1907 *Agreement* — (*May* 1, 1907 — *May* 1, 1908)

Premiums		$205,499 25
Salvage		16,589 99
Interest		2,967 34
Commissions	$44,867 82	
Expense	24,145 57	
Refunds	109,670 86	
Surplus (net profits)	44,604 58	
	$225,056 58	$225,056 58

1908 *Agreement* — (*May* 1, 1908 — *October* 1, 1909)

Premiums		$1,133,875 25
Salvage		88,403 87
Interest		16,309 74
Commissions	$159,094 31	
Expenses	88,513 89	
Refunds	152,834 42	
Losses	413,409 88	
Claims outstanding (estimated)	11,000 00	
Surplus (net profits)	413,736 36	
	$1,238,588 86	$1,238,588 86

1909 *Agreement* — (*October* 1, 1909 — *October* 1. 1910

Premiums		$656,854 90
Salvage		39,960 61
Interest		9,904 83
Commissions	$112,178 99	
Expenses	82,886 92	
Refunds	3,402 75	
Losses paid	169,330 75	
Claims outstanding	6,625 00	
Surplus (net profits)	332,655 93	
	$706,720 34	$706,720 34

1910 *Agreement* — (*October* 1, 1910 — *October* 1, 1911)

Premiums		$929,322 40
Salvage		37,994 49
Interest		9,986 27
Commissions	$153,797 42	
Expenses	74,609 62	
Refunds	7,527 40	
Losses paid	173,988 52	
Claims outstanding	63,025 00	
Surplus (net profits)	504,355 20	
	$977,303 16	$977,303 16

Premium Rates

The premium rates on excise bonds are determined by the reinsuring companies, acting jointly with the brewers association. The loss ratio that the companies assume in the computation is largely speculative in character. The bonding companies base their assumption of loss on the probable future collections by the Excise Department, as shown by the experience of former years. While the companies anticipated a loss ratio of 40 per cent., the actual loss ratio was 33 per cent. for the 1908 agreement, 21 per cent. for the 1909 agreement and 21.6 per cent. for the 1910 agreement.

Commissions to Brewers and Their Agents

In the Greater New York territory, brewers, their representatives or agents are, in a number of cases, appointed as agents of the bonding companies. The Insurance Department has issued licenses to agents in conformity with the lists furnished by the bonding companies, so that in some instances the licenses are issued in the corporate name of the brewery, while in others it is issued in the name of an officer, employee or representative of some brewery. A number of these brewery agents have offices at No. 1 Madison avenue, some acting for one brewery, others for two or more. In many instances, the brewer advances all or a portion of the license tax and in case of loss the bonding company frequently looks to the brewer for aid in the recovery of salvage. In such case, the revocation of the license or the forfeiture of the bond means a financial loss to the brewer interested in the premises. The brewers, through their virtual ownership of these saloons, are able to control most of this business, and it is customary for the saloon keeper to procure his bond through such brewer or his represenative. These brewers or their representatives receive a commission averaging 15 per cent. from the bonding companies on these premiums for excise bonds issued for places under their control and in which they are financially interested. For that reason, the payment of commissions to brewers directly or indirectly is subject to criticism. The brewer obtains the excise bond by reason of his interest in the premises and the payment of any portion of the premium on such bond by the

bonding company to the brewer, whether under the guise of commissions or service fees, appears to be substantially a rebate and calls for attention by this Department. This, of course, applies to the territory up the State as well as to the Greater New York territory.

Black List

The association maintains an inspection system for the purpose of investigating the character of the resorts where liquor is sold by its principals on excise bonds. In these investigations it cooperates with the brewers' association and with the committee of fourteen of New York city, and with other civic bodies in the State. Based on such investigations, a list of suspected places has been compiled, which is known as a "blacklist". Places of doubtful character are bonded by the companies only if the licensee furnishes satisfactory collateral or pays a higher premium. The association, however, will not bond, even with full indemnity, places on the blacklist which should be deemed, by the joint action of the various committees referred to, as irreformably bad.

Amendment to Excise Law

Under the provisions of the Liquor Tax Law, the Excise Department of the State is charged with the duty and vested with power to bring actions at law against licensees guilty of violations of the Excise Law. The actions are brought for the purpose of revoking licenses and collecting the indemnity under the bonds. Originally the Excise Commissioner under the statute had the power to bring an action under the bond at any time within twenty years after the cause of action had accrued. The law was amended in 1908, reducing the period of limitation to three years. In 1910 the law was further amended reducing such period to two years and in 1911 the period of limitation was further reduced to nine months.

The limitation of the period in which an action may be brought under the excise bond is advantageous to the bonding companies, since it enables the companies to ascertain their liabilities at an early date, and nine months after the bond has expired eliminates all contingent and deferred liabilities dependent upon future actions. It also enables the association to release all funds held in

reserve for future losses, and to distribute such funds among the participating companies practically at the end of twenty-one months after the execution of the bonds.

In connection with the 1910 amendment, the companies paid to John F. Nagel an additional sum of $500 for services rendered.

The amendment of 1911 was signed on June 1, 1911, and has been construed to be retroactive in its effect. This resulted in eliminating a number of causes of action which had accrued prior to the last amendment. All of these amendments were approved by the Committee of Fourteen of New York city, by the Excise Department and by various civic bodies.

Payments to John F. Nagel

In 1908, John F. Nagel, a brewer of Buffalo, N. Y., appeared before the executive committee of the association and advocated a plan to bring about close relations between the brewers of the State and the bonding companies. A joint meeting was arranged for committees from the New York State Brewers' Association and the bonding companies, to take place January 29, 1908. At such meeting it developed that the brewers desired the association to extend its jurisdiction over the entire State, to appoint local and general committees of both parties in interest to act and pass upon undesirable places, for the purpose of creating a black list. It was pointed out that the co-operation between the brewers and the bonding companies would result in higher premiums, better quality of risks, distribution of hazard, limitation of loss, and that both interests could combine legal, political and other legitimate resources against any unjust practices of the Excise Department. As a result of this meeting, Mr. Nagel became an active factor in excise matters in this State, acting as a representative of both parties in interest. According to the statements of Messrs. Tompkins and Nagel, the services rendered by Mr. Nagel consisted in making inspections and passing upon undesirable places in the western part of the State, and in advocating matters in which the bonding companies were interested. Mr. Tompkins asserted that Mr. Nagel, in representing the brewers before the Excise Department, urged that the efforts of the Department be directed against

the vicious and disorderly resorts, rather than against the orderly and decently conducted places which may be guilty of technical violations of the law. He also stated that the services of Mr. Nagel have been of financial value to the bonding companies in reducing the anticipated losses under the excise bonds. Mr. Nagel stated that while the work performed was of benefit to the brewers as well as to the bonding companies, his compensation came entirely from the reinsuring companies. In December, 1910, the association adopted three resolutions, providing for compensation to Mr. Nagel under the reinsurance agreements of 1908, 1909 and 1910.

The resolution under the 1908 agreement provided for a payment not exceeding $2,000 for expenses and $6,000 for services rendered. Such services are described as inducing brewers and dealers to enter into harmonious co-operation with companies in the matter of adopting mutually acceptable premium rates on excise bonds and providing a moral basis of underwriting which has eliminated many evils attendant upon the liquor traffic, with corresponding reduction of loss to the companies.

Under the 1909 and 1910 agreements, the resolutions provide for a compensation equal to 20 per cent. of the net difference between the anticipated losses, which are assumed at 40 per cent. of the net premiums, and the losses actually sustained. This method of computation was devised upon the theory that the normal loss ratio should be equal to 40 per cent. of the net premiums, and that Nagel's services in effecting savings below such ratio are valued at 20 per cent. A special committee was appointed, consisting of Messrs. Tompkins, Kerr and Armitage to carry out the purposes of these resolutions. Mr. Carman, of the American Surety Company, succeeded Mr. Kerr, deceased, as a member of such committee. The special committee was authorized to employ in its discretion one or more special agents for the purpose of using their influence with brewers and liquor dealers to induce more effective compliance with the Liquor Tax Law on the part of the bonded dealers, whereby to prevent unduly large losses on such bonds, and also for the purpose of taking such steps and precautions as will tend to secure to such reinsuring companies protection or salvage as far as possible against ultimate loss on claims that may or

might be hereafter made on such bonds. Pursuant to the foregoing resolutions, the special committee made the following payments to Nagel:

Date of payment	Reinsurance agreement	Amount
January 6, 1911	1908	$2,000 00
January 6, 1911	1909	3,000 00
January 6, 1911	1910	3,000 00
June 12, 1911	1908	6,000 00
October 31, 1911	1909	20,000 00
November 16, 1911	1910	4,000 00
December 18, 1911	1910	2,000 00
January 13, 1912	1910	1,000 00
March 2, 1912	1910	1,000 00
March 2, 1912	1909	3,089 29
May 7, 1912	1910	2,000 00
June 12, 1912	1910	2,000 00
Total paid by special committee		$49,089 29

The above amount was apportioned on the association books as follows:

Reinsurance Agreement 1908	$8,000 00
Reinsurance Agreement 1909	26,089 29
Reinsurance Agreement 1910	15,000 00
Total	$49,089 29

In connection with these payments, Mr. Nagel stated that he never furnished the association with a detailed statement of the services rendered or expenses incurred, nor did the association ask for such statement.

The payment for the 1908 account was made in accordance with the resolution adopted by the executive committee. Under the 1910 account the committee effected a compromise with Nagel for a sum approximately $18,000 less than the maximum provided by the resolution. This was due to the fact that, as stated by Mr. Tompkins, the savings in losses effected under the 1910 agreement were partly due to Nagel and partly to other circumstances.

In my opinion, this Nagel transaction is justly the subject of criticism by this Department and contracts of this character should never have been made. Neither the bonding companies nor Mr.

Nagel informed the public officials that Nagel represented these companies in his advocacy to this Department of excise legislation and changes in policy beneficial to such companies. The fact that Nagel was never called upon for a detailed statement of the work performed by him or of the expenses incurred, although he was paid upward of $49,000 under the terms of these agreements, cannot be defended.

In view of the facts set forth in this report, I would suggest that the officers of this association be informed that this Department would not have countenanced such an arrangement if it had knowledge of the same prior to its consummation, and further, that hereafter no similar transaction will be tolerated by this Department.

In addition to the payments made by the special committee, the records of the association show the following payments made to Nagel for services and disbursements in connection with inspection work and recovery of salvage:

Reinsurance Agreement 1908	$1,844 18
Reinsurance Agreement 1909	2,541 00
Reinsurance Agreement 1910	2,863 00
Reinsurance Agreement 1911	2,568 95
Total	$9,817 13

HOME SAFEGUARD, INC.

NEW YORK, N. Y.

Examination on general methods of transacting business and condition as of November 4, 1912.

Report dated November 7, 1912.

Examiner: J. L. Wood.

The Home Safeguard is a stock corporation organized under the Business Corporations Law of this State. The certificate of incorporation was granted August 14, 1897. Its capital stock is $10,000, divided into one thousand shares of $10 each. Its principal place of business is New York city. Term of existence, fifty years. The purposes of the corporation are stated to be, " To

purchase and sell medicines, contracting and selling funerals, and transacting such other business as may be necessary and incidental thereto." The amount of capital stock paid in at the time the certificate of incorporation was granted was $5,250. Of this amount $250 was paid in in cash and $5,000 in stock was issued to the incorporators in return for the list of members, good will, etc., of the defunct Undertakers Medicinal and Supply Company. At present all but five shares of stock have been issued. The 470 shares issued since the incorporation were for valuable services rendered or in payment of bills. No dividend has ever been declared or paid on the capital stock.

Annexed hereto and marked Exhibit "A" is a list of the stockholders, names and addresses and the number of shares owned by each.

The plan of operation of the company is as follows: The company issues contracts (a copy of one is annexed and marked Exhibit "B,") providing for medical attendance, medicines, and funeral and burial of contract holders. The rates charged are based on age at entry as follows:

3 months to 44 years	10 cents per week
45 years to 49 years	15 cents per week
50 years to 60 years	20 cents per week

Three persons are employed as solicitors and collectors. For each new contract the solicitor is paid 60 cents at once and 40 cents at the end of three months if the risk is accepted. They are also paid 20 per cent. commission on weekly collections. If a contract holder calls for medical attendance during the first three months of his contract, the regular attending physician of the company attends him and decides upon his desirability as a risk. If he is considered undesirable, his payments are returned to him and his contract canceled. If no physician's attendance is required during the first three months of the contract, the risk is accepted and the contract continued in force. The company has nine attending physicians residing in various parts of the boroughs of Brooklyn and Manhattan. Their names, addresses and telephone numbers are printed in the contract receipt book. They are supplied with medicines by the company and in case drugs are required which are not kept in stock by the company, they may be

prescribed by the attending physician and the amount paid for filling such prescriptions to the extent of twenty-five cents is credited against the weekly payments required under the contracts. The physicians are paid at the rate of $1 per annum for each contract holder residing in his district. The company has a contract with an undertaker to whom it pays $40 for adult funerals and a smaller sum for the burial of infants. Mr. D. Faber, the treasurer and manager of the company, is paid a salary of $15 per week, and Mr. Jacques Goldenberg, the secretary and vice-president, is paid $3 per day for such number of days as he spends on the affairs of the company.

The officers of the company are:

Dr. J. F. Howe, President, 332½ 9th street, Brooklyn, N. Y.

Jacques Goldenberg, Secretary and Vice-President, 619 Lexington avenue, Brooklyn, N. Y.

D. Faber, Treasurer, 1644 60th street, Brooklyn, N. Y.

On November 4th the number of contract holders was about 658. This number could not be verified or fixed definitely without an examination of the receipt books of each individual contract holder, to ascertain whether the contract holder was thirty days in arrears, as no individual accounts are kept at the home office.

The only book of account used is a cash-book. According to this the receipts of the company from the beginning of its existence to November 4, 1912, were $139,063.52, and the disbursements for the same period were $139,005.40, leaving a balance of cash on hand of $58.12.

Attached hereto and marked Exhibit "C" is a statement of receipts and disbursements for the year ending November 4, 1912.

A statement of assets and liabilities is attached hereto and marked Exhibit "D." The two electrical machines mentioned in the list of assets were the property of the Undertakers and Medicinal Supply Company and were purchased at auction by the Home Safeguard when the Undertakers and Medicinal Supply Company was liquidated, and are at present in the possession of Drs. Leavitt and Alderman. The item in the liabilities of $1,080.39 for back salary due J. Goldenberg is of several years' standing and dates back to a time when the secretary, Mr. Goldenberg, received a salary of $1,200 per year. The statement of assets and liabilities was furnished by the secretary. Because of the

meagre accounts kept by the company it was impossible to verify the original cost of such assets as were purchased and no attempt was made to appraise such articles at their present value. For the same reason it is impossible for your examiner to check the liabilities of the company.

Receipts and Disbursements of Home Safeguard from November 4, 1911, to November 4. 1912

Receipts

Collections	$3,805 60	
Fees	9 25	
Advances to agents	161 23	
20 per cent. commission from druggists	10 46	
Unaccounted for	31	
Total		$3,986 85

Disbursements

20 per cent. commission	$759 63	
Special commission	51 20	
Reserve commission	26 20	
Medicine	428 40	
Doctors	746 31	
Undertakers	557 50	
Expense	43 47	
Advance to agents	151 62	
Rent	240 00	
Salaries	893 50	
Taxes	11 03	
Small items	15 00	
Claims (refund)	15 00	
Unaccounted for	2 16	
Total		3,941 02

Statement of Assets and Liabilities of Home Safeguard as of November 4, 1912

Assets

Value of eight cemetery deeds	$175 00	
Medicine	192 00	
Furniture and fixtures	174 00	
Printed matter	118 00	
Owing by subscribers not 30 days past due	378 10	
Two electrical vibrator machines at $50 each	100 00	
Total		$1,195 22

Liabilities

Due doctors for services	$76 00	
Securities (cash deposited by collector)	45 00	
Undertakers	162 50	
Medicines	97 00	
Back salary for secretary	1,080 39	
Total		$1,460 89
Deficiency		$265 67

ORDER ZIVENA

NEW YORK, N. Y.

Examination to ascertain legal status and methods of doing business.

First report dated August 28, 1912.

Supplemental report dated October 15, 1912.

Examiner: Wm. A. Billingham.

Acting under your appointment, I have made an investigation of the Order Zivena, which was incorporated as a membership corporation in this State October 31, 1895, and reincorporated May 9, 1912.

I called upon Mrs. Paulina Novemsky, financial secretary of the order, at her residence No. 1462 Crotona avenue, this city. Mrs. Novemsky is apparently a Slavonic woman not educated in the English language, and upon stating my business to her she immediately called her husband, who acted as interpreter throughout the greater part of our interview.

The only book of account kept by the financial secretary is a cash-book, written in the Slavonic language, showing income and disbursements, but it appears that a balance has never been struck upon this book, the matter of the condition of the finances being left entirely to the treasurer, and Mrs. Novemsky was unable to give me any information as to the amount of funds on hand at any time. It was impossible for your examiner, not being conversant with the Slavonic language, to enter upon any investigation in regard to the alleged loss of $13,000 through the banking firm of

P. V. Rovnianek & Co., of Pittsburg, Pa., or the alleged disbursement of $600 to a New York attorney for incorporation papers, which latter was referred to by Mr. C. L. Orbach in his letter to the Department under date of July 22, 1912. If this is desired it will be necessary to make a thorough examination, with the aid of an interpreter, of the income and disbursements as shown by the books of the treasurer, Mary Zaruba, whose address is 1514 Perryville avenue, Pittsburg, Pa., as Mrs. Novemsky informs me that the treasurer's books are also written in the Slavonic language. I did not interrogate Mrs. Novemsky at all concerning these matters, believing that if it should be decided to make a thorough examination later it would be better that she had no knowledge concerning our purpose.

The sources of income are as follows: An admission fee of 50 cents, 10 cents quarterly for the expenses, maintenance and disbursements of the supreme assembly, and an assessment of 14 cents per member per death. The present membership is about 4,400 in 161 lodges, and the total annual income is about $50,000.

Mrs. Novemsky stated that the death benefits actually paid by the order had been gradually increased from $100 in the beginning up to $600 in 1908, and that at the last convention held in New Haven, Pa., in May, 1912, it was voted to increase the death benefit to $700 beginning July 25, 1912. Also, that it was voted at that convention to make an investigation as to the advisability of making application to the Superintendent of Insurance for a certificate to transact a fraternal business, and that a report would be received and the matter decided at the next annual convention. The order also pays sick benefits and makes contributions for charitable purposes.

Mrs. Novemsky also stated that no benefit certificates had ever been issued by the order, but that application blanks (which all applicants must file) contain a provision that members shall be entitled to all the benefits and privileges of the order, and that no one is admitted to membership until after examination and favorable report by a physician.

As to whether this order is actually transacting an insurance business or not, I beg to quote sections 74 and 75 of article XII of the constitution and by-laws, as follows:

"Each member is entitled to a death benefit if she were admitted into the organization in accordance with the Constitution and By-Laws and observed the same.

"In case of the death of a member her heirs, if they prove her death by an official death certificate, receive $600."

Each member is given a pass-book by the local lodge upon the first page of which is a certificate to the effect that the person named therein is a member of the stated lodge, giving the date of admission, the signature of the president and financial secretary appearing at the bottom of the page. No statement is therein made as to any benefits or privileges conferred upon the member. The remaining portion of this pass-book is used for the purpose of recording the payment of assessments, dues, etc., a column being provided for the name or initials of the receiving officer of the local lodge.

Supplementing my report submitted under date of August 28, 1912, concerning the Order Zivena, I beg to state that pursuant to your directions I have procured affidavits of certain individuals showing that the said order is conducting the business of insurance in this State. Such affidavits are annexed hereto and were made by Paulina Novemsky, financial secretary of the said order, and Paul Waclavak to whom the order paid a death benefit in 1912.

The affidavit of the said Paulina Novemsky sets forth a description of the organization and plan of insurance of this order, and that as financial secretary of the said order, she has issued, jointly with its president and treasurer, checks for the payment of death claims to divers persons mentioned therein.

The affidavit of Paul Waclavak shows that on or about August 1, 1912, he received a benefit of $600 from the said order in payment of the insurance on the life of his wife, Anna Waclavak.

I would further state that the officers of the said order are as follows:

President, Mary Simek, 438 E. 117th street, New York city.
Vice-President, Maria Kmetz, 143 Ackerman avenue, Clifton, N. J.
Treasurer, Mary Zaruba, 1514 Perryville avenue, Pittsburg, Pa.
Recording Secretary, Bozena Vermes, 1 Ashley street, Westfield, Mass.
Financial Secretary, Paulina Novemsky, 1412 Crotona avenue, New York city.

THE PLATE GLASS UNDERWRITERS ASSOCIATION

1 Liberty Street, New York, N. Y.

Examination as to methods and manner of operation covering period 1905 *to* 1912, *inclusive.*

Report dated December 24, 1912.

Examiner: C. A. Wheeler.

History

On March 7, 1905, representatives of about a dozen insurance companies writing plate glass insurance met in New York City and adopted articles of agreement creating an organization with the object of regulating commissions to be paid and limiting the number of agents to be appointed by each member in New York City. The organization was called "The Plate Glass Underwriters' Association" and the agreement became effective March 10, 1905.

In December, 1905, measures were considered towards regulating rates to be charged and in June, 1906, such measures were adopted, becoming effective July 1, 1906.

In October, 1910, the rules and regulations of this association in regard to rates and commissions were suspended to take effect November 1, 1910, owing to competition from non-members, the association being continued for the purpose of compiling certain statistics from the records of the companies.

At a meeting of the association in January, 1911, an agreement was entered into by representatives of sixteen companies.

A new association to be known under the same name, "The Plate Glass Underwriters' Association," was organized to continue the undertakings of the original association. A new constitution was drawn up, copy of which, with subsequent amendments, is attached.

All companies transacting the business of plate glass insurance in any of the boroughs of Greater New York are eligible to membership. At present this association consists of eighteen members. All but three companies doing such business in Greater New York at this date have subscribed to the agreement.

ORGANIZATION AND OBJECTS

The objects and purposes of the association as stated in its constitution are to promote good will, harmony and co-operation among the companies, to advise and recommend measures for the protection of their common interests, especially matters relating to plate glass insurance underwriting, and to collate and tabulate statistical data submitted to it by members.

The officers of the association consist of a chairman, vice-chairman, treasurer, and secretary and bureau manager, the secretary and bureau manager being appointive, the other officials being elective.

There is a bureau committee consisting of three members appointed by the chairman for periods of nine months each. One member is retired every three months and replaced by a new member. This committee controls and directs the conduct of the bureau and interprets rules and regulations whenever requested to do so by the manager. This committee has general supervision over the affairs of the association, any recommendations, expenditures, etc., of the managers being passed upon by it.

The committee has no fixed meetings, being subject to the call of the manager; it keeps no records or minutes, except written authorization to the manager; all important recommendations are embodied in the minutes of the association.

There is a plan committee consisting of three members whose duty it is to formulate and carry out a plan to collate statistics from the experience of the companies with the object of adjusting rates in accordance with such experience. Its actions are all subject to the approval of the association.

All are managers of the plate glass department of their respective companies.

There is a complaint committee consisting of three members, the bureau manager being a permanent member thereof and the other two members being selected by him as the occasion arises. This committee receives and investigates all complaints from the members of the association, grants hearings to the complainant and defendant companies and imposes prescribed penalties. Its action and reports on complaints are attached to the complaints on file and its decisions are subject to appeal to the association.

It is not within the powers or duties of this committee to consider any complaints from policyholders.

Legislative matters bearing on the business of plate glass insurance, rate making associations, etc., are usually brought before the association at its meetings, considered, and any action considered necessary taken to protect the interests of the association and its members.

No officer or member receives any compensation or salary except the secretary and bureau manager.

FINANCIAL

The annual dues of each member are $25.00. Expenses of the association not covered by the annual dues are met by quarterly assessments upon the members in proportion to the net premiums written. The minimum assessment is fixed at $100 per annum. This amount raised by assessment amounts to approximately $10,000 per annum and averages about one per cent of the net annual premiums collected. All disbursements are made by the treasurer upon proper voucher being executed. The treasurer's accounts are audited annually by a special committee appointed for that purpose. Following is a condensed statement of receipts and disbursements from February 21, 1911, to January 19, 1912:

Receipts

Dues	$403 75	
Assessments	9,379 88	
Miscellaneous	846 89	
		$10,630 52

Disbursements

Salaries	$6,175 27	
Rent	1,097 55	
Filing cards and cabinets	1,147 01	
Telephone charges	303 71	
Miscellaneous	1,042 48	
		9,766 02
Balance on hand, January 19, 1912		$864 50

RULES

The rules limit the maximum number of agents each company may have; maximum commissions to be paid are limited to 35

per cent. to agents and 25 per cent. to brokers, the agent's commission limit of 35 per cent. to include any broker's commission paid by him, an agreement being exacted from such agent not to pay any broker a commission in excess of 25 per cent.; not to allow any rebate to assured, and to observe all rules and regulations.

From time to time rules have been adopted creating and revising rates to be charged, resulting in rates now being in force known as cabinet, committee and individual rates. Description of each of these rates appears under caption of "Rates".

No information is furnished to any except members as to the records and rates on file. Any queries or complaints from policyholders or brokers in regard to the rates charged are not answered by the association, but referred to the company or brokers directly interested in or through whom the risk is placed. The association keeps no record or file of such correspondence. The records are not open to the members, the companies securing any information desired only through the bureau manager.

The rules prescribe various penalties for any violation of rules as to rates or commissions.

No broker's commission may be paid to any officer or employee of the companies.

POLICY FORMS

At one time the adoption of a standard form of policy was considered, but it was decided to be impractical. Each company is allowed to use its own forms, riders, etc. and any other company may use similar forms, riders, etc.

The term of all policies is limited by the association to one year. Such term may be extended for a fractional part of the second year to meet certain conditions, as the covering of the risk until the expiration of a lease.

METHOD OF FILING AND FURNISHING RATES

A company desiring a rate on any particular risk submits a card requesting such information. If a rate has been previously made, the association records will contain a card showing same. If not listed a card is inserted in the association records marked

"not rated" and the company is so informed. If other companies make inquiries for a rate on the same risk, they are advised that the risk is not rated and the record card is noted to indicate companies making such inquiries. The first company to file a rate as determined by the association rules, manual and cabinet rates, fixes the association rate and any companies having inquired concerning this risk are notified of this rate. When a company writes a policy on a risk on which no rate has been filed with the association, the writing company is expected to make proper measurement of the insured glass, apply the tariff and cabinet rates and file the resulting rate with the association. This rate then becomes the association rate and no company is permitted to write this risk at a lower rate.

While the association prescribes rules, regulations, etc. by which rates should be arrived at, no effort is made by the association to verify the correctness of such rates, its records not containing sufficient information to enable such calculation. The company filing the rate states the number of lights insured, but the location, size and description of the lights are not given.

RATES

A schedule of charges known as tariff or book rates has been used as a basis for making existing rates. Serious modifications of these rates have been made occasionally until there are now in force rates known as "cabinet", "committee" and "individual" rates. A description of each of the above rates follows:

Tariff Rates:

A schedule of rates has been prepared, known as the "1909 Manual" of rates, such rates presumably equalling 2½, 3½ or 4½ per cent. of the list price or "long cost" of the glass, according to the size of the glass, covering all sizes of glass measuring even inches in length and breadth from a glass 2″ x 2″, manual rate $ .01, to a glass 200″ x 130″, manual rate $48.78. When measurements contain fractional parts of an inch or an odd number of inches, they are to be considered as the next higher even sizes. In obtaining such measurements, daylight measurement (*i. e.*, from sash to sash) must be taken and three-

quarters of an inch added to length and breadth to cover setting. Lights over 200 inches in length which are also more than 88 inches in width, or if the size is not covered by the manual, must be submitted to the home office of the company to obtain the premium charge. A minimum charge is fixed at $2. The list price or "long cost" of the glass is the price shown in a schedule of fixed charges prepared by the manufacturers and subjected to various discounts to produce the actual selling charge.

The figures given in the manual are computed premiums for various sizes of plain plate glass when located in grade floors (*i. e.*, street level) or basement store fronts only, which are designated as commercial risks. Modifications of these ratings are given to cover glass of special manufacture and location. Plain glass located in upper floors, and in dwellings, churches, clubhouses, hotels, hospitals, etc. is allowed at a discount from the book figures. Clamped or glued glass, awnings, canopies, counter tops, bent or ornamented glass, shelving and show cases are rated at an excess over such book figures.

Cabinet Rates:

Cabinet rates are modifications of tariff rates in accordance with the opinions of the association members as to hazard of risk through its location. Each street has been sub-divided into districts and a factor has been assigned to each such district which shall be applied to the tariff rate as illustrated below.

East 120th street, Nos. 1 to 184, Cabinet rates, 1 x tariff rates.
East 120th street, Nos. 200 to River, Cabinet rates, 3 x tariff rates.
Broadway, Nos. 1 to 348, Cabinet rates, 75% of tariff rates.
Broadway, Nos. 349 to 1810, Cabinet rates, 80% of tariff rates.
Broadway, Nos. 1819 to end, Cabinet rates, 1 x tariff rates.

Committee Rates:

Committee rates are special rates made at one time upon the request of the company writing the business by a committee of the members of the association. Such ratings are no longer made, although rates so promulgated are still in force. These rates were in some instances higher and in some instances lower than the cabinet rates would have been and there seem to have been no rules which guided the committee in establishing these rates. In one instance coming under the observation of the examiner,

the committee adopted a rate in excess of what the cabinet rate would have been, because the company on the risk requested it, such request being on the grounds that the company has received this premium in the past without complaint from the assured.

Individual Rates:

In many cases the rates charged were considered by the company carrying the risks either inadequate or too high as indicated by the experience of the individual risk, and as a result rules were adopted which would permit any member to file new rates on any of its expiring policies. These rules provided that renewal cards had to be filed at rates below street or cabinet rates, provided the actual loss ratio for preceding three years or less period if not carried three years, had not exceeded 25 per cent. of the cabinet rate; and provided further that such reduced rates were not less than one contemplating a loss ratio of 33 1-3 per cent., but in no event were they permitted to be less than the expiring rate. A renewal card could be filed at a rate higher than the cabinet rate, provided the increased rate was not higher than one contemplating a loss ratio of 33 1-3 per cent. on the basis of the preceding three years' losses. Such new rates were called "individual rates" and the companies were allowed to file such rate on expiring business up to April 30, 1912, when this practice was discontinued, although the rates thus originated were allowed to stand and are still in force.

STATISTICS

While one of the objects of the association was to collate and tabulate statistics taken from the experience of the companies, no systematic efforts were made along this line until towards the end of 1911. In September, 1911, a committee called the plan committee, consisting of three members, was appointed to formulate and supervise the carrying out of a plan to gather statistics of the experience of the companies covering a period of three years from January 1, 1908, to January 1, 1911, with a view of establishing an average rate to be charged in given districts as indicated by the losses incurred in those districts.

Under this plan each company submits to the association a record of every policy placed by it during the years 1908, 1909

and 1910, showing the location, premium based upon the tariff or book rate for each year, and the losses incurred each year. These statistics are being gathered and classified according to the block in which the risk is located. The result will show the actual losses incurred by all association members for these three years upon property located in that block which has been insured, and the total premiums on such risks determined according to the tariff rates. When this result is known, it is proposed to multiply these losses by 3 1-3 (contemplating a loss ratio of 30 per cent.) and the result shall be the prevailing premium for the given district. Nearly all of the statistics on this work have been gathered at this date, but the factors which shall be applied to the tariff rates have not been fully determined as yet.

While the contemplated loss ratio is 30 per cent., it is possible that this ratio may be changed as the average of losses incurred to premiums paid as indicated by statements furnished to the association by the companies from their experience for the year 1911 is a little over 42 per cent. Furthermore, in arriving at the premium which contemplates a loss ratio of 30 per cent., cognizance is taken of the fact that the price of glass in 1910 was, and at the present time is, 50 per cent. higher than the prevailing prices in 1908 and 1909. To adjust this difference in prices, the actual losses of 1908 and 1909 are increased 50 per cent., the increased sum representing the cost of replacing the glass if the loss were to occur at the present time. For example, if a certain district showed losses which it cost the companies $1400 to replace in 1908, $1600 in 1909 and $900 in 1910, the calculation is made as if the losses were $2100 in 1908, $2400 in 1909, and $900 in 1910, a total of $5400 for three years or an average of $1800 per year. This average is to be multiplied by 3 1-3, producing $6000 as the annual premium to be charged in this district. Attention may also be called to the fact that by increasing the 1908 and 1909 losses by 50 per cent. to cover the increased cost of glass and multiplying the result by 3 1-3, the association is by this process also increasing by 50 per cent. its margin for expenses and profits; in other words the premiums are loaded not only with the increased cost of glass, but also with increased expenses and increased profits.

This plan will undoubtedly have to be modified in order to avoid perceptible inconsistencies in the ratings of adjoining blocks. An instance of the need of such modification has already arisen as indicated in the table given below showing the experience on several blocks on First Avenue. While the experience on the block No. 1480-1494 shows a loss ratio to the tariff premiums of only .80 the rate of two times the tariff was recommended and is now the official rate in force.

Column 1 shows the total premiums on risks written, computed according to the tariff rates for the years 1908, 1909 and 1910. Column 2 shows the losses paid in 1908 and 1909 increased by 50 per cent., plus the actual losses paid in 1910. Column 3 shows the percentage of such losses to the tariff premiums (not the actual premiums received). Column 4 shows the necessary factors to be applied to the tariff rates to cause the losses sustained to equal 30 per cent. of the premiums charged and column 5 shows the actual factors recommended and now in force. The previous cabinet rate for this entire district was three times the tariff rates.

Statistics Compiled for First Avenue

Blocks	Col. 1 Tariff Premiums for 3 years	Col. 2 Losses for 3 years computed per plan	Col. 3 Percentage of losses to tariff premiums	Col. 4 Factor to be applied to tariff premium to make losses equal 30% of prem.	Col. 5 Resulting cabinet factor recommended and now in force
1440–1460	$429 28	$278 10	64.8	2.16	2¼
1462–1478	392 32	282 36	72.	2.40	2½
1480–1494	825 86	199 68	24.2	.80	2
1496–1512	440 79	377 46	85.6	2.85	2¾
1514–1528	553 04	400 10	72.3	2.41	2½
1530–1556	415 17	291 91	70.3	2.34	2½
1558–1576	326 38	256 13	78.5	2.61	2½
1578–1592	515 57	300 76	58.3	1.61	2
1594–1616	264 46	102 84	38.9	1.29	1¼

Following is a table compiled from the reports submitted by the companies to the New York Insurance Department covering the premiums received and losses paid for the years 1902-1911 inclusive in the United States and also in New York State and showing the ratio of losses to earned premiums for periods of five years and also for the entire period:

Year	United States Premiums Received	United States Losses Paid	United States Ratio Losses Paid to Earned Premiums	New York State Premiums Received	New York State Losses Paid	New York State Ratio Losses Paid to Earned Premiums
1902	$1,919,597	$638,868		$729,823	$251,722	
1903	1,895,098	643,833		698,243	249,847	
1904	2,241,898	746,027		763,521	263,371	
1905	2,338,427	769,040		775,474	273,851	
1906	2,522,069	977,807		880,902	347,024	
	$10,917,089			$3,847,963		
Estimated unearned premium	391,688			72,860		
	$10,525,401	$3,775,575	35.9%	$3,775,103	$1,385,815	36.9%
1907	$2,696,975	$1,139,181		$1,018,550	$424,163	
1908	2,989,471	1,147,270		1,051,942	423,015	
1909	3,738,364	1,059,567		1,079,267	347,754	
1910	3,401,846	1,322,906		1,065,912	431,985	
1911	3,908,696	1,657,403		1,238,875	592,779	
	$16,735,352			$5,454,546		
Estimated unearned premium	693,313			178,986		
	$16,042,039	$6,326,327	39.4%	$5,275,560	$2,219,696	42.1%
Grand total	$26,567,440	$10,101,902	38.0%	$9,050,663	$3,605,511	39.8%

NON-ASSOCIATION COMPETITION

For a short period, from November, 1910, to January, 1911, the association suspended its rules and regulations in order to permit its members to meet outside competition.

At present, efforts are made to induce non-members to join the association, a committee being appointed to visit such companies and invite them to join the association or to observe its rules and rates. This committee endeavors to find out if there are any terms, modification of rules, etc. under which such company or companies would join the association.

At this date there are three companies writing plate glass insurance in Greater New York which do not belong to the association, and measures have recently been adopted to protect the members against this competition. Under date of December 5, 1912, the following resolution was passed, intended to give relief on risks now held by members which may be in danger of being lost to such members through non-association competition:

"Resolved, That the Bureau Manager shall be vested with the power to accept a change in rate on any given risk now on file with the Bureau when requested by the holding company where no other company has made inquiry concerning same and where the holding company is the only company interested."

Unfair Discriminations

The methods in rating are productive of rates which apparently are maintained in direct conflict with the insurance law (section 141) prohibiting rate making associations from fixing rates which discriminate unfairly between risks of essentially the same hazard. The following cases are illustrations in point:

92 Lenox Avenue, New York City:

The rate indicated for this risk by the association card was $13.55. A company having the opportunity to write the risks discovered that the above rate was based upon an erroneous computation, the rate correctly computed being $6.05. A request from this company to have the association rate reduced to the correct figures met with the following response from the bureau manager.

"In re 92 Lenox Avenue, New York City.

"The comparison of your sizes enclosed in your letter of the 6th inst. with those of the Rating Company for the above risk revealed the fact that the Rating Company's tariff of $13.55 was incorrect. In refiguring this tariff we discovered that the correct figures for seven lights including one sheet light were $6.05 and we have so marked the card now on file.

"This particular risk is a renewal of another company whose policy has been out for nearly a year and the premium paid and they therefore do not feel as though they should be compelled to reduce the rate at this late date. This we believe is exactly what the members of the Association meant to guard against, when they adopted the resolution that no cards once filed should be changed under any circumstances.

"In view of the fact of this case and the resolution referred to above, we do not think that we should change the premium on the card now on file, even though changing the tariff and not the premium differentiates the proportion of this store from the balance of the stores at this particular location."

Notwithstanding the palpable error of over 100 per cent. in the fixing of the above rate, the erroneous rate is still in force.

40-42 East 59th Street, New York City:

The tariff rates and the premiums in force on the above risks on September 30, 1912 were as follows:

40 East 59th street, tariff rate $20.33, premium in force $20.33.

42 East 59th street, tariff rate $20.33, premium in force $9.75.

The inconsistency having been called to the attention of the manager, he re-rated on October 2, 1912, No. 40 East 59th Street. Nevertheless, the premiums in force at the present time are still inconsistent with each other, the premiums in force representing the following percentages of the tariff rates: 40 East 59th Street, 75 per cent.; 42 East 59th Street, 48 per cent.

493 Columbus Avenue, New York City:

This risk consists of a double store with practically the same amount of glass in both stores. The southern half of the premises is occupied by a tailor and the premium charge in force is $4.55. The northern half is occupied by a grocer and the premium charge in force is $3.00.

502-504 Warren Street, Brooklyn:

502 Warren street, tariff rate $6.02, premium in force $15.
504 Warren street, tariff rate $6.84, premium in force $10.26.

The attention of the bureau manager was called to this inconsistency with the information that the broker for the higher rated risk might bring the inconsistency to the attention of the Insurance Department. The relative importance of the rules of the association and the laws of the state is plainly shown by the following letter from the bureau manager:

"In re 502 Warren St., Brooklyn."

"In reply to your favor of the 19th inst., beg to advise that I have inspected the cards on file on above risk and on 504 Warren St., and find that they were rated as renewals by two companies at about the same time last year, the rates no doubt being based on the experience.

"I regret to say, that I can think of no rule that will permit me to accept a rate on 502 adjusted to the rate on 504, notwithstanding that the broker may submit it to the State Department, who could perhaps treat it as discrimination and therefore against the law."

Conclusions

It has been held that an insurance company is simply the vehicle for distributing the burden of the loss of the individual among the many. It has, therefore, been urged that co-operation between companies is necessary,—

1. That all companies would receive the benefit of the experience of other companies writing similar lines of insurance;

2. That expense of necessary inspections, surveys, etc., of risks may be reduced to a minimum;

3. That competition as to rates and the payment of excessive commissions may be eliminated;

All this with a view of,—

(a) Securing for the companies an adequate rate necessary to their solvency.

(b) Furnishing to the insured indemnity at the lowest possible cost compatible with adequate rates and proper service;

(c) Preventing unfair discrimination between policyholders.

A review of the conditions surrounding the history, organization and manner of conducting the Plate Glass Underwriters' Association of New York City does not indicate that the insuring public has been to the fullest extent benefited by the combination existing between the members of that association. The experience of companies writing plate glass insurance as to premiums and losses as reported to this department indicates either immoderate profits or excessive expense, both before and after the formation of the association.

The so-called cabinet or district rates are plainly exorbitant, and the variation in rates applied to the different districts was based upon insufficient data. The individual rates, some of them higher and some of them lower than the cabinet rates, are a travesty upon the principle of insurance. These rates which were fixed by the company having the business on its books, became the association rate on individual risks, regardless of equity or consistency, by the interested company simply filing such rates with the association. The committee rates also were grossly discriminatory and were resorted to apparently for the purpose of meeting the competition of the few non-association companies. The non-association competition has apparently been of small benefit to the insuring community, the competition being directed not so much towards cutting the association rates, but rather to attract brokers by increased commissions.

No surveyors are employed by the association, each company making its own surveys. This method results in some duplicate surveys being made and such duplicates do not always agree as to size of lights.

The association evidently confines its efforts mostly to the filing and recording of rates as submitted by the companies and furnishing such filed rate, upon request, to the members.

No provision is made by the association whereby any policyholder may ascertain any information whatever regarding the rates on his property, no file or record of any such requests, complaints, correspondence, etc., being kept by the association.

RECOMMENDATIONS

Section 141 of the Insurance Law provides in part as follows:

1. "* * * nor shall any such [rate making] associations, or any person, association or corporation authorized to transact the business of insurance within this state, fix or make any rate or schedule of rates or charge a rate which discriminates unfairly between risks within this state of essentially the same hazard * * * ."

2. "Every such rating organization shall keep a careful record of its proceedings and shall furnish upon demand to any person upon whose property or risk a rate has been made, or to his authorized agent, full information as to such rate, and, if such property or risk be rated by schedule a copy of such schedule; it shall also provide such means as may be approved by the superintendent of insurance whereby any person or persons affected by such rate or rates may be heard, either in person or by agent, before the governing or rating committee or other proper executive of such rating organization on an application for a change in such rate or rates."

It is recommended that the collation of the statistical data, upon which the association is at present engaged, be speedily completed and carefully analyzed; that new rates based upon this analysis be uniformly applied to all risks of essentially the same hazard; and all recognized extra-hazardous or non-hazardous surroundings as disclosed by such analysis to be uniformly considered in the rates applied to individual risks or specified districts.

In order to comply with the second provision of the law above quoted, it is recommended that the association obtain for its own files all the information necessary to ascertain whether the association rate has been properly arrived at in conformity with its manual, rules and practices, and to furnish such information, upon demand, to any person affected by such rate. Furthermore, all such information should be obtained through inspections made under the supervision of the association, thus tending to bring

about uniformity, eliminating favoritism and discrimination and reducing to a minimum the cost of inspections now independently conducted by each company. Reductions in expenses brought about by adopting new inspection methods or from other improvements should also accrue to the benefit of the policyholders.

It is also recommended that the association adopt measures to further comply with the second provision of the law quoted above by authorizing some committee or executive before whom a hearing may be had by any assured or his agent, upon request for a change in rate upon his property.

LIST OF MEMBERS

Ætna Accident and Liability Company.
Casualty Company of America.
Employers' Liability Assurance Corporation, Ltd.
Fidelity and Casualty Company.
Fidelity and Deposit Company.
Globe Indemnity Company.
Lloyds Plate Glass Insurance Company.
Maryland Casualty Company.
Massachusetts Bonding and Insurance Company.
Metropolitan Casualty Insurance Company.
New Amsterdam Casualty Company.
New Jersey Fidelity & Plate Glass Insurance Company.
New York Plate Glass Insurance Company.
Ocean Accident and Guarantee Corporation.
Preferred Accident Insurance Company.
Royal Indemnity Company.
United States Casualty Company.
United States Fidelity and Guaranty Company.

THE PLATE GLASS SERVICE AND INSURANCE BUREAU

No. 1 LIBERTY STREET, NEW YORK, N. Y.

Examination as to methods and manner of operation covering period 1911–1912.

Report dated December 24, 1912.

Examiner: C. A. Wheeler.

HISTORY

On May 11, 1911, a special meeting of the Plate Glass Underwriters Association, whose activities are confined to Greater New York, was held for the purpose of discussing the establishment

of rules and rates in territories outside of Greater New York. On May 18, 1911, a constitution of a national association was adopted creating an association to be known as "The Plate Glass Service and Information Bureau," whose purpose was to formulate and supervise the carrying out of plans and rules tending to regulate rates and commissions in the United States outside of Greater New York.

All companies transacting plate glass insurance in the United States are eligible to membership, such membership at this date comprising eighteen companies.

ORGANIZATION AND OBJECTS

The objects and powers of the bureau as stated in the constitution are to act as referee in all matters connected with the administration of plate glass insurance, to promote uniformity, sound practices and co-operation in underwriting such insurance, to collate and tabulate statistical data upon all matters affecting such insurance and to circulate this information among its members; to assist in the promotion of local associations at various centers and to generally supervise same, to adjust any differences arising between members of such local associations, and to watch legislation affecting the interests of the companies writing plate glass insurance.

The officers of the bureau consist of a chairman, vice-chairman, treasurer, and secretary and bureau manager, the last named being appointive and the others being elective.

The secretary and business manager is E. M. Gridley, 1 Liberty street, New York city.

There is a complaint committee consisting of three members selected by the manager in accordance with the rules of procedure, from the disinterested members of the bureau. Its duties are to hear any complaints as to infractions of rules or rates, pass on investigations made by the manager, and advise him as to procedure; to grant hearings to the complainant and defendant companies and impose prescribed penalties. Its actions and reports on complaints are attached to the complaints and kept on file. Its decisions are subject to appeal to the next general meeting of the bureau.

When the bureau was organized, the various states of the United States were divided into groups and committees of three members each were appointed to recommend rates and commissions to apply in each state. The committees still exist, the members composing each committee being such companies as have the largest interests in, and are most familiar with the conditions of, each particular group of states. Any request for a change of rates, rules, etc. is submitted to the committee in charge of the territory affected and a report thereon from such committee is submitted to and acted upon by the bureau.

The bureau exercises a general supervision over the various local associations affiliated with it. It assists in the promotion of local associations, furnishing a form of constitution, the adoption of which, however, is not compulsory. The bureau considers, revises, approves (or disapproves), regulations made and adopted by such local associations and deals with any differences arising between members of any local association when referred to the bureau, giving advice, instructions and suggestions in all matters so brought to its attention. Its actual supervision or control over such local associations is, however, only nominal. It has no power over such associations to enforce its own rules and regulations except such influence as it may exert upon the local agent through its own members who must in every instance also be members of any affiliated local association.

Any legislative matters bearing on the business of plate glass insurance are usually brought before the bureau at its meetings, considered, and action thought necessary taken to protect its interests and those of its members.

No officer or member receives any compensation or salary except the secretary and bureau manager.

Rules

The bureau has no rules limiting the number of agents a member may have in any particular territory, nor any rules limiting the commissions that may be paid to such agents. Brokers' commissions are limited to 15 per cent. in nearly all localities where rules apply, but in a few instances the limit is 20 per cent.

Rules have been promulgated regulating the procedure in event of a complaint being filed by any member, of a violation of rules or rates. These rules prescribe the method to be followed by the complaining company and the penalties to be imposed for violation of rules. They provide for the investigation of such complaint by the bureau manager, and a hearing before the complaint committee, and allow an appeal from such committee's decision to be taken to the bureau.

Members, agents or their representatives are not permitted to allow any rebate or discount to the assured.

The rules do not prescribe the use of any particular form of policy and no efforts have been made towards regulating the form or adopting a standard policy. The term of any policy is limited to one year, but may be extended to cover fractional part of the second year if conditions necessitate.

FINANCIAL.

The expenses of the bureau are met by an annual membership charge of $25 and any necessary assessment based upon the net premiums received during the preceding calendar year in the territory covered by the bureau. The minimum assessment is fixed at $50.

No expenses of local boards are included in the bureau's expenses but are separately assessed by each local board with the consent of the bureau.

The accounts are audited annually by a committee appointed for that purpose. Following is a condensed statement of receipts and disbursements from July 15, 1911 to May 16, 1912:

Receipts		
Dues	$487 34	
Assessments	5,945 95	
Miscellaneous	500 00	
		$6,933 29
Disbursements		
Salaries	$3,383 17	
Rent	341 70	
Telephone, telegraph and postage	186 50	
Miscellaneous	1,577 54	
		5,488 91
Balance on hand, May 16, 1912		$1,444 38

Rates

When the bureau was organized, such rates as had been adopted by any local association now affiliated with the bureau, were allowed to stand and are still in force with some few changes. For territories not covered by these rates, a manual known as the "1909 manual" was adopted as a basis for determining the rates to be approved by the bureau. The premium charges as fixed by such manual are supposed to be about 2½, 3½ or 4½ per cent., according to the size of the glass, of the list price or "long cost" of the glass. As previously stated, the United States was divided into groups of states and committees were appointed who should recommend the rates to be charged in the various states, such committees consisting of members having the largest interests and experience in those states. The resultant rates were justified solely by the underwriting judgment of the individual members. As subsequent experience warranted, such rates have been modified from time to time and in some localities, these rates have been superseded or revised to meet competition.

A schedule of rates and brokerage commissions now in force in the states in which the bureau is active, is attached. A minimum premium is fixed at $2.

Very little opposition has been encountered from the local associations or boards, there being but two such associations now affiliated with the bureau which have not adopted the bureau rates, such associations being allowed to use their own prescribed rates.

When the tariff premium on any risk exceeds $500, a member upon whose books the risk already stands, may file a rate on such risk at an increase or decrease from such tariff rate of not more than 50 per cent. (but it must not be less than the original premium charged) and shall file a card showing location of risk and premium charged, which premium becomes the bureau rate.

The result of this rule is to permit any company on such risks to continue to charge the premium it had been charging in the past, whether such premiums were higher or lower than the tariff rates. The filing of such rates prevented any other association company from cutting the rate, even though the premium charged was far in excess of the regular association rates.

These special rates apply only to renewal business and are kept on file by the bureau. When any member solicits a risk, the tariff premium on which exceeds $500, they are required to ascertain if a rate already exists, and, if so, to quote same rate.

STATISTICS

Whenever a request is made to change rates in force in any given territory for other reasons than competition, the bureau collates and tabulates statistics as furnished by the members covering the experience as to premiums received and losses paid in that territory and any change of rate is recommended upon the results shown by these statistics.

No organized efforts have been made towards gathering any statistics of the experience of the members with the view of establishing the correctness of the rates charged in general. The bureau did compile a table showing the premiums written, losses paid and loss ratio in the various states for the year 1911, copy of which is attached. The information obtained was furnished to each member to give some indication as to the experience in each particular state.

The plate glass premiums and losses as reported to the New York Insurance Department for the last ten years for the United States and for New York State is given herewith:

	UNITED STATES			NEW YORK STATE		
Years	Earned Premiums	Losses Paid	Ratio losses to earned Premiums	Earned Premiums	Losses Paid	Ratio losses to earned Premiums
1902 to 1906 inc....	$10,525,401	$3,775,575	35.9%	$3,775,103	$1,385,815	36.9%
1907 to 1911 inc....	16,042,039	6,326,327	39.4%	5,275,560	2,219,696	42.1%
Total for 10 years	$26,567,440	$10,101,902	38.0%	$9,050,663	$3,605,511	39.8%

NON-BUREAU COMPETITION

One of the objects of the bureau is the maintenance of its rates in the territory under its jurisdiction. Whenever non-members cut the bureau rates or disregard the bureau's rules governing commissions, an attempt is made by the local association in whose territory the violations occur to induce the offending company to join the organization. If unsuccessful, the local organization is empowered by the bureau to employ whatever means may be deemed necessary to meet the competition, the rates and rules having been entirely suspended in some localities for this purpose.

Because of the competition existing in a portion of the territory formerly covered by the bureau, the constitution was amended in July, 1912, so as to limit the jurisdiction of the bureau only to those states which are unanimously voted by the membership as constituting a part of the bureau's territory. As a result of this action, the bureau now covers twenty-four states, a list of which is appended to this report.

Competition is serious enough in some localities to disturb the association rates. Notwithstanding this, it is evident from the annual reports of the plate glass underwriters that rates are sufficiently high in localities where competition does not flourish, to overcome the lowering tendency of the competitive rates.

Conclusions

The proper functions of rate making associations would seem to be to facilitate co-operation of its members with one another in order that unnecessary expenses may be eliminated, to bring about uniformity and proper practices and to arrive by interchange of experience between members at adequate and equitable rates to the mutual advantage of the companies and the public.

The bureau's activities have been mainly confined to formulating rules governing brokers' commissions and establishing a general rate to be charged in the various states in which it operates.

No record of rates on individual risks is kept and very little effort has thus far been made by the bureau to fulfill its functions, with a view to furnishing the best possible service to the public. There is a wide disparity between rates in different localities, but nevertheless the average level of rates is unduly high.

Brokers' commissions are limited by the rules, but such limitation seems futile, when it is considered that agents' commissions are not regulated.

THE STEAM-BOILER AND FLY-WHEEL SERVICE AND INFORMATION BUREAU

NEW YORK, N. Y.

Examination on affairs and condition as of December 31, 1912.
Report dated January 6, 1913.
Examiner: A. Z. Banta.

History and Organization

On March 3, 1911, some of the companies writing steam-boiler and fly-wheel insurance met in the boardroom of the Fidelity and Casualty Company of New York; eight companies were represented at this meeting which proceeded to discuss rates, commissions, policy provisions, and underwriting practices generally. At this meeting a name for the proposed association was agreed upon and a committee of three appointed to prepare a constitution and by-laws; although a number of meetings were held between that date and December 6, 1912, complete organization has as yet not been effected.

Membership

There are about thirteen companies writing this kind of insurance; of these only seven or eight expressed their willingness to become members of the proposed association, the others holding back for various reasons. Any company writing steam-boiler or fly-wheel insurance is eligible to membership and may be admitted by vote of the "Governing Committee."

Constitution and By-Laws

The committee appointed to prepare a constitution and by-laws submitted a constitution as prepared by them which was adopted at a meeting of the companies interested, but seemingly the matter of by-laws was not considered.

A copy of the constitution is attached to the report.

Aims and Objects

The object of the association as stated in the constitution "shall be to promote the public safety, particularly with reference to

explosions of steam-boilers and fly-wheels; to encourage co-operation toward this end among manufacturers, owners, users, inspectors and insurers of steam-boilers and fly-wheels."

The means employed by the association to attain this end are investigation and discussion of the causes of boiler and fly-wheel explosions and matters relating to their construction, repair, operation, inspection and insurance, with a view to lessening the chances of explosions; also in the interest of greater safety to make suggestions to manufacturers, repairers, owners, users, inspectors and insurers of steam-boilers and fly-wheels.

The association proposes also to control as far as may be possible the establishment of premiums to be charged by its members, the rates of commissions to be paid to agents for procuring business as well as the adoption of policy provisions with a view to standardization, and to bring about uniformity in underwriting practices in general.

Officers and Committees

Provision is made in the constitution for the election of a president and a secretary-treasurer by a "Governing Committee;" this committee to be composed of one delegate and one alternate from each company holding membership in the association.

At a meeting held February 9, 1912, C. S. Blake, secretary of the Hartford Steam-Boiler Inspection and Insurance Company, was elected president, and William H. Boehm, superintendent of the Boiler and Fly-wheel Department of the Fidelity and Casualty Company of New York was elected secretary-treasurer, each for the term of one year and thereafter until their successors are elected.

The constitution provides also for an executive committee to be composed of five members, two of whom shall be the president and secretary-treasurer, the remaining three to be appointed by the governing committee. L. F. Butler, secretary of the Travelers Indemnity Company, C. S. McEntee, manager of the Steam-Boiler and Fly-Wheel Department of the Casualty Company of America, and J. N. Rausch, manager of the Boiler, Fly-Wheel and Inspection Department of the Maryland Casualty Company, were appointed to complete this committee.

In addition to the above named standing committees, a "Committee of Four" was appointed by the meeting of June 28–29 to formulate recommendations on steam-boiler, fly-wheel, and use and occupancy underwriting practices, standard policy provisions, boiler and fly-wheel rates, turbine rates, use and occupancy rates and rates of commission.

Policy Provisions

Inspection and comparison of the policies of some of the companies writing steam-boiler and fly-wheel insurance shows them to be practically alike in their main provisions and conditions.

Insurance is provided for under the boiler policies against immediate loss or damage to the property of the assured and to the property of others for which the assured may be liable; also against loss or damage to the assured resulting from the loss of life or injury of any person or persons, caused by the explosion, collapse or rupture of any steam-boiler covered by the policy. Fly-wheel policies provide for insurance for similar loss or damage arising from the explosion, bursting, disruption or breakage during rotation of any fly-wheel covered by the policy.

The conditions governing the contracts are alike in their principal features; all provide for inspection by the company's inspectors and impose upon the assured the obligation of allowing said inspectors access to the plant covered at all reasonable times, and empower the inspectors to suspend the insurance in case of defects being disclosed until the defects are made good, and the boiler or fly-wheel restored to a safe condition. The inspectors fix upon a maximum steam pressure allowed to be carried on the boiler which must not be exceeded under penalty of forfeiture of the indemnity in the event of any accruing, and the maximum number of revolutions per minute of fly-wheels, which likewise must not be exceeded.

The policies also obligate the assured to give immediate notice of an explosion and to delay repairs or replacement until the company's inspectors shall have had an opportunity to investigate and determine the cause of the explosion.

It will be seen from the above that, although steam-boiler and fly-wheel insurance is intended to indemnify the assured for loss

arising from boiler or fly-wheel explosions, it is designed, more than any other kind of insurance, to prevent loss and for this reason it is necessary that plants be thoroughly and periodically inspected by expert inspectors whose duty it shall be to make tests and report defects, and make recommendations.

An inspection service is maintained by each company writing this class of insurance.

The plans of the association do not seem to contemplate the establishment of a central or common inspection service.

Statistics

For the ten years ended December 31, 1911, the companies engaged in this class of insurance and reporting to the Insurance Department of the State of New York, reported the collection of premiums amounting to $21,470,887.64 and the payment of indemnity for loss to the assured of $2,270,632.35, or about 10½ per cent. of the premiums; the premium given above is the premium income and nothing is added to the paid losses for losses incurred and unpaid.

The approximate distribution of the premium income is indicated by the following figures, which are taken from the reports of a single company for the same period whose business is included in the above and which does a large part of the entire business:

Premiums earned	$12,804,066 94	
Losses paid and unpaid	1,122,601.97	= 8.76+%
Cost of inspections	4,626,070.62	= 36.12+%
Taxes on premiums, insurance department fees, etc., paid and unpaid	455,300.11	= 3.55+%
Administration expenses	1,015,117.01	= 7.92+%
Cost of procuring business, paid and unpaid	4,294,032.81	= 33.53+%
Losses and expenses paid and unpaid	$11,513,122.52	= 89.91+%
Trade profit	1,290,944.42	= 10.08+%
	$12,804,066.94	

It should be noted that the inspection expense of this company is probably less than the inspection expense of most other companies, the volume of business transacted by this company making it

possible to conduct its plant on a more economical basis; this would indicate a corresponding reduction in the trade profit of other companies.

Present Status of the Bureau

The association has not adopted any table of rates; the Committee of Four submitted with its report formulae that take into account the more important factors entering into the proper composition of the various premiums; the value of each factor, however, depends directly upon the accumulated experience of all the companies, and as this has not been compiled, the premiums deduced from the material at hand are not absolute.

The association has not compiled any statistics, but it is included in the plan of the organization to do so.

Although the constitution provides for the payment of fees and dues, it is stated that none have been collected, nor have any expenses been incurred; there are no books of account, correspondence or any records beyond the minutes of the various meetings and while the matter of organization by the companies interested has not been abandoned, there seems to be no immediate prospect of completing the organization.

Under date of December 12, 1912, William A. Boehm, the secretary of the association, describes its present status as follows:

"Companies writing steam boiler and fly wheel insurance have held several meetings. At these meetings there has been discussed underwriting practices, policy forms, rates and commissions. Committees were appointed, and these committees have made certain recommendations, which recommendations have not, however, as yet been adopted. In fact, by reason of the very great differences in the agency organizations of the several companies interested, it seems exceedingly difficult to bring about uniform practices. At present writing there is no prospect of any early completion of the organization; no date has been set upon which the rules and practices shall become effective."

Fees and Taxes Charged New York Insurance Companies by Insurance Departments of Other States for 1912

[1067]

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *January* 1, 1913

SIR: Sent you herewith are abstracts of letters received from the Insurance Superintendents, Commissioners or other officers charged with insurance supervision in the several States, setting forth in detail the fees and taxes imposed by the provisions of their insurance laws, and which will be collected from the various insurance companies, associations and societies of New York during 1913. The Department is informed that no discretionary power is vested in such Insurance Superintendents, Commissioners and officials to reduce or remit these charges.

Very respectfully,

W. T. EMMET,
Superintendent of Insurance.

FEES AND TAXES

Imposed by the New York Insurance Law on Companies of Other States

(Authority to remit all fees is vested in the Superintendent of Insurance of the State of New York and they are remitted when like consideration is shown New York companies by other States.)

FEES

Filing declaration and certified copy of charter, all companies....	$30 00
Filing annual statement, all companies.....	20 00
Certificate of authority, company or agent.....	5 00
Certificate of deposit, valuation or compliance, each.....	5 00

Copy of records, 10 cents per folio and $1 for seal.

Retaliatory provisions for other or greater charges by other states.

TAXES

Life and casualty companies of other states, 1 per cent. of gross premiums received in this state. (Collected by state comptroller. Section 187, Tax Law.)

(In collecting taxes, under retaliatory provisions, from life or casualty companies, the New York Insurance Department allows credit for the amount paid to the state comptroller.)

Fire companies, 2 per cent. of gross premiums received for insurance on buildings within the fire limits of cities and villages maintaining fire departments. (Payable to fire departments or associations. Section 133, Insurance Law.)

(In collecting taxes, under retaliatory provisions, from fire companies, the New York Insurance Department allows credit for the amount paid under section 133.)

Marine companies, 2 per cent. of gross premiums received in the state, or obligations taken therefor, less reinsurance paid to companies subject to this tax. (Section 34, Insurance Law.)

Mutual fire insurance companies of other states admitted to do business in the State of New York pursuant to chapter 286, Laws of 1909, are required to pay to the Superintendent of Insurance 1 per cent. of their gross premiums or assessments collected or received by them for insurance upon property situate within the state.

Retaliatory provisions for other or greater taxes by other states.

FEES AND TAXES

Imposed by Other States on New York State Companies

(It is understood that the following charges are minimum, the superintendents, commissioners or other officers in charge of the various states having no authority to remit.)

Alabama

Fees:

Company's license, renewable annually	$101 00
Agent's license, each member of firm	3 50

Fees not prorated.

Taxes.— One and one-half per cent. of gross fire premiums received in the state less return premiums; also one-sixth of one per cent. of such premiums to provide for expense of investigation of fires.

After the year 1911 no license or privilege tax or other charge for the privilege of doing business shall be imposed by any municipal corporation upon any fire or marine insurance company doing business in such municipality, except upon a percentage of each one hundred dollars of gross premiums, less the premium returned by cancellation, on policies issued during the preceding year in such municipalities; provided that such percentage shall not exceed four dollars, on each one hundred dollars and major fraction thereof of such gross premiums; provided, however, that any municipality may charge a flat minimum license at the beginning of each year for new companies doing business therein on which there shall be an adjustment at the expiration of such year upon such percentage basis as may be fixed by said municipality; and provided further, that such percentage shall not exceed four per cent. of the gross premiums collected, less return premiums received by such companies on policies issued during the preceding year in such municipality. And in addition to said amount paid the State, there may by ordinance be levied and collected by the several cities and towns of the state from every insurance company other than fire and marine insurance com-

panies, for the privilege of doing business within the limits of said cities and towns, a privilege or license tax, to be computed and based on the population of said cities and towns as fixed by the last federal census, not exceeding the following scale, to wit.:

1. Each such insurance company in cities and towns having a population of five thousand or less, ten dollars, and one dollar on each hundred dollars and major fraction thereof gross premiums, less the premiums returned by cancellation, received during the preceding year on policies issued during said year to citizens of said cities and towns.

2. Each such insurance company in cities and towns having a population of five thousand and not over ten thousand, fifteen dollars, and one dollar for each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

3. Each such insurance company in cities and towns having a population of ten thousand and not exceeding fifty thousand, twenty dollars, and one dollar on each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

4. Each such insurance company in cities and towns having a population of more than fifty thousand, fifty dollars, and one dollar on each one hundred dollars and major fraction thereof of gross premiums, less the premiums returned by cancellation received during the preceding year on policies issued during said year to citizens of said cities and towns.

Two per cent. of gross life premiums.

Mutual Aid Associations

Fees:

License $20 00

Taxes.— One per cent. of premiums received.

Retaliatory provisions for greater charges by other states.

Publication

Abstracts of statements required to be published in a newspaper of general circulation.

Publication to be at expense of company, and can be done by company direct, or the department will place such advertising. The usual charge for same is $10.00. No statute fixes such charge.

Alaska

Fees:

Filing certificate of qualification	$5 00
Filing power of attorney	5 00

Payable to Department of Interior, at Juneau.

Fraternal beneficiary associations pay no fees.

Taxes.— None.

Arizona

Fees:

Filing articles of incorporation	$10 00
Filing notice of appointment of agent who is a resident of the county in which the company transacts business, for the purpose of service of summons. Such appointments to be individual. Appointment to be filed with the county recorder	20
Filing annual statement	5 00
Certificate of authority	5 00
Agent's license, including firms	2 00
Publication of annual statement	2 50
Filing acceptance of provisions	3 00
Annual registration fee	15 00

Taxes.— Two per cent. of gross premium receipts in lieu of all other state taxes.

Publication.—Abstract of annual statement prepared to be published once. Attended to by Corporation Commission.

Arkansas

Surety Companies

Fees:

Filing copy of charter	$15 00
Filing annual statement	10 00
Agent's license	2 00
Certificate of authority to company	2 00

All Other Companies

Filing copy of charter	15 00
Filing annual statement	10 00
Certificate of authority	2 00
Agent's license (one to each soliciting member of a firm)	2 00

Reciprocal provisions govern fees charged other state companies for filing articles of incorporation; but a foreign corporation must pay the fee charged by the state where its principal United States office is located.

Foreign unincorporated concerns must pay a fee of $500 to do business.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less cancellations, reinsurances in authorized companies, losses paid and commissions paid in the state. (Fraternal societies are not taxed.)

Annual Franchise Tax:

All companies with outstanding capital less than $500,000	$100 00
All companies with outstanding capital of more than $500,000	200 00
Mutual companies with no capital	50 00

There is a penalty of 25 per cent. if not paid on or before August 10th.

Copy of records, 20 cents per folio and $1 for seal.

No publication required, but it is the practice of the department to publish a brief annual report showing the assets and liabilities, business written, renewals, cancellations and business in force at the end of previous year. State pays for this. Two and one-half per cent. on net premium is in lieu of all other taxes, state, county or municipal.

California

Fees:

Filing certified copy of charter or articles of incorporation and certificate as to organization and capital and assets	$55 00
Filing annual statement	20 00
For filing amendment to articles of incorporation	10 00
Filing appointment of general agent and stipulation for service of process	5 00
Filing bond of company	5 00
For issuing annual certificate of authority	10 00
Agent's license (each agent and solicitor)	1 00
Filing certificate of deposit of companies organized outside of the United States only	5 00
Issuing certificate of deposit	5 00
For furnishing copies of papers, per folio	20
For certifying to copies of papers	1 00
For registering each policy	1 00
For attaching seal of office to any paper or document (not above specified)	1 00
For issuing any other certificate	2 00

Taxes.— All companies, 1½ per cent. of gross premiums received in the state less return premiums, reinsurance in authorized companies or associations, subject to action of retaliatory law.

Retaliatory provisions for greater taxes by other states.

Publication.— Abstract of annual statement must be published daily for one week or four consecutive times in weekly newspaper in city where principal office in California is located.

Colorado

Fees:

Filing the certified copy of articles of incorporation, on the organization of each company	$50 00
Filing power of attorney and statement preliminary to admission	50 00
Filing copy of its charter or deed of settlement, and examination thereof	25 00
Filing annual statement	50 00
Certificate of authority to transact business in this state, renewed annually	5 00
Each copy of certificate of authority for use of agents and solicitors to each member of firm	2 00
Each copy of any paper filed, per folio	20
Affixing the seal of the office, and certifying any paper	1 00

Taxes.— Two per cent. of gross premiums received on business written or renewed in the state, less net reinsurance premiums paid to companies authorized to do business in this state and for return premiums on risks cancelled other than reinsurance risks.

Also a state corporation tax of two cents upon each $1,000 of capital stock.

Publication.—Abstracts of annual statements must be published at least four times in a Denver newspaper of general circulation. A copy of such publication must be filed with the commissioner of insurance.

Connecticut

Fees:

Filing copy of charter (surety companies only)	$10 00
Filing preliminary statement	10 00
Filing annual statement	10 00
Filing any additional paper required by law	25
License to company, annual	10 00
Agent's certificate of authority issued to a corporation only	4 00

Foreign Companies

Filing copy of charter	$30 00
Filing preliminary of annual statement	20 00
License to company, annual	50 00
Agent's certificate of authority	2 00

Reciprocal provisions for fees, for valuing life insurance policies and for taxes.

Taxes.— Two per cent. gross premiums, from foreign companies (of other countries).

Delaware

Fees:

Filing certified copy of charter	$10 00
Filing annual statement thereafter	10 00
Publication of abstract of annual statement (estimated)	5 00
Certificate of authority to company	27 00
Agent's certificate of authority	2 00
State license	5 50

Certificate of authority and state license are transferable.

Three dollars for seal.

Taxes.— On fire and miscellaneous insurance companies 1½ per cent. of gross premiums, which is defined by statute as follows: Where the words " gross premiums " are used in reference to premiums received by fire insurance companies on policies covering risks located within the state of Delaware the same shall be taken and held to mean all moneys collected as premiums on such policies, less return premiums paid therefrom by reason of cancellation of policies and less reinsurance premiums received from companies authorized to do business in this state and which pay to the state taxes on the original premiums.

Payable to the insurance commissioner. In addition there must be paid to the state treasurer a franchise tax of ¾ of 1 per cent. on such premiums.

On life insurance companies 2 per cent. of gross premiums. Retaliatory provisions for greater charges by other states.

Fraternal Beneficiary Associations

Fees:

Filing statement and copy of charter with application	$10 00
Filing annual statement thereafter	10 00
Publication charges	5 00

Publication.— Abstracts of annual statements are made by the insurance commissioner in three newspapers for three issues. The commissioner pays the bill from moneys assessed.

District of Columbia

Fees:

Filing certified copy of charter or articles of incorporation and appointment of attorney, including annual license	$10 00
Policy-writing agent's annual license	50 00
Broker's annual license	50 00
Ordinary solicitor's annual license, individual	5 00
Industrial solicitor's annual license	2 00
Fraternal beneficial association's annual license	5 00

Taxes.— Fire companies, except mutual fire, 1½ per cent. of gross premiums received in the district, less return and reinsurance premiums.

Health, accident and life companies or associations must pay a tax of 1 per cent. on the total amount collected from policy or certificate holders.

Publication.—Annual statements must be published by the company once in one paper in March of each year.

Not required of fraternal beneficial associations.

Florida

For filing charter or articles of incorporation $2 upon each $1,000 of capital stock. The tax, however, not to exceed $250 in any case, to be paid only once when the company enters state. The secretary of state is entitled to a fee of $5 in this connection.

Fees:

Filing annual statement	$10 00
Annual state license	200 00
Annual license for plate glass insurance companies	50 00
Agent's license, each member of firm	5 00
Counties, cities and towns may require a license fee for agents not to exceed	2 50
License for traveling agent or solicitor	25 00
License for each adjuster	10 00
License for each rate agent	25 00

Counties, cities and towns may require a license fee for traveling agents or solicitors of $5 for each county in which business is done.

Taxes.—Two per cent. of gross premiums received in the state.

Sick and Funeral Benefit Insurance Companies

Annual state license	$100 00
Local agent's license	5 00
Traveling agent's license	25 00
For filing annual statement	5 00

Fraternal beneficiary associations pay no fees.

State licenses are renewable October 1. If issued after April 1, half the above fee is charged.

Publication.— The state treasurer shall annually in the month of February publish in some newspaper published at the capital a list of all insurance companies, associations, firms or individuals authorized to do business in this state, showing in tabular form the assets, liabilities, and other essential data and information regarding the statements made and accepted.

Georgia

Fees:

Fire insurance companies in lieu of all other fees	$200 00
Filing annual statement, all other companies	20 00
Filing copy of charter or certificate of no change in charter since last filing	20 00
Agent's license (one to a firm)	3 00
Beneficiary order's license (no other fees or taxes)	40 00
State agents, assessment companies	25 00

Taxes.— One per cent. of gross premiums received on all direct business in the state. (Fire and marine companies deduct return premiums.)

Local agent's occupation tax (fire and life companies)	$10 00
State agent's occupation tax (life and fire companies)	50 00

Publication.— The semi-annual statements made to the governor are required to be made one time in a paper of general circulation in this state, the companies bearing the expense and making the selection of the paper in which the publication is to be made.

Hawaii

Fees:

Filing copy of articles of incorporation	$25 00
Filing annual statement	10 00
Filing annual statement of business in the territory	10 00
Filing power of attorney	1 00
Stamp duty for same	1 00
Filing any other paper	1 00
Certificate of authority	10 00
Certificate of authority stamp duty	50
Agent's license	2 00
Agent's stamp duty	50

Copy of records, 25 cents per folio and $1 for seal.

Taxes: Fire and Marine.— A tax of 2 per cent. on the gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such reinsurance is placed through or with local agents.

Life.—A tax of 2 per cent. on gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such reinsurance is placed through or with local agents, (3) actual operating and business expenses.

Accident, etc.—A tax of 2 per cent. on the gross premiums received, less (1) return premiums, (2) reinsurance in authorized companies, when such insurance is placed with or through local agents.

Idaho

Corporation Law.— Each accident, health, life, fire, marine, inland, casualty or fidelity company, upon application for entry to this state, must furnish the county recorder of the county in which is designated their principal place of business in this state, two copies of their articles of incorporation and two copies of designation of agent, one copy of each being filed in his office, and certifying the other to the secretary of state, and each company must pay the usual fee to the above department for filing such papers.

The publication of annual statement is exacted from life insurance companies only. The statute provide that every company, corporation, association, or society transacting business of life insurance within the state of Idaho shall publish or cause to be pub-

lished as soon as possible after the 1st day of January, and prior to the 1st day of April in some paper published in the state capital, a statement showing the exact condition of their affairs on the last day of the month of December preceding. Only one insertion is required and in but one paper. For the accommodation of the life insurance companies the department has made it a practice to attend to the necessary publication of their annual statement on a blank form prepared for this purpose. There is no objection, however, to companies taking care of the matter of publishing themselves if they so desire. Cost is $10.

State Deposits Required of Surety Companies.— Idaho statutes provide for a deposit with the state treasurer of $25,000 in money, bonds or other securities, to be approved by the insurance commissioner. Such deposits shall be for the benefit of the holders of obligations of a surety company, to remain in the state treasury in trust to answer any default of said companies as surety upon any such obligations. The companies, however, have at all times the right to collect the interest, dividends and benefits upon all such securities.

Fees and Requirements

Life, fire and miscellaneous companies upon entry must file with insurance department:

1. Financial statement under oath of proper officers.
2. Three certified copies of charter or articles of incorporation; one for insurance department and the two additional copies for secretary of state and county recorder, in compliance with the Corporation Laws.
3. Three copies of power of attorney or legal agent for service of process, executed in favor of "Insurance Commissioner or his successor in office" as required by law.
4. Certificate from insurance commissioner of company's home state showing that company is authorized in said state.
5. Certified copy of by-laws and all amendments thereto.
6. Certified copy last examination of company.
7. Certificate of deposit (American fire insurance companies excepted) showing not less than $100,000 of proper securities on deposit in home state or some state of the United States for the protection of all policyholders. (See sections 14 and 25, Insurance Law.)
8. Life and health and accident companies must submit all forms of policies issued for approval of this department; also rate book or manual.

Fees Upon Entry

**Secretary of State's Fees:*

For companies without capital stock (mutual)	$5 00
For authorized capital stock not over $100,000	40 00
For authorized capital stock over $100,000 and not over $500,000	60 00
For authorized capital stock over $500,000 and not over $1,000,000	100 00
For authorized capital stock over $1,000,000	150 00
Filing power of attorney or legal agent	2 00
Certificate of qualification	3 00

County Recorder's Fees:

For recording and certifying articles of incorporation, per folio	20
Filing articles	50
Filing power of attorney or legal agent	50

Insurance Commissioner's Fees:

State license	50 00
Filing financial statement	50 00
Filing charter or articles	10 00
Filing power of attorney or legal agent	2 00
Filing statement in redeposit (fire only)	10 00

Annual Fees

Insurance Commissioner's:

State license	50 00
Filing annual statement	50 00
Publication annual statement (life only)	10 00
For each life agent's certificate	5 00
For each fire agent's certificate	3 00
For each miscellaneous certificate	3 00

Taxes.— Two per cent. tax upon gross premiums less return premiums fire companies.

Two per cent. upon gross premiums life and casualty companies.

Live stock companies, assessment life and casualty companies and foreign mutual fire companies pay same fees as above to all offices.

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*No stock insurance company admitted with less capitalization than $100,000, and fire companies must have $200,000.

Miscellaneous Fees

For each copy of agent's certificate	$2 00
For copy of any paper filed in this office per folio	20
For affixing official seal and certifying any paper	1 00
For receiving and forwarding copy of summons or other process served upon commissioner as attorney for company	2 00

License year begins April 1st. Agents' licenses are transferable for unexpired portion of insurance year without cost.

Fraternal Beneficiary Associations

Fraternal beneficiary associations upon entry must file with the insurance department:

1. Certified copy of charter and articles of association.
2. Copy of power of attorney or legal agent for the service of process, executed in favor of "Insurance Commissioner or his successor in office," as required by law.
3. Financial statement under oath by duly authorized officers of association.
4. Certified copy of by-laws and all amendments.
5. Certificate from insurance commissioner of home state, showing that association is authorized in said state.
6. Copies all benefit certificates or policies issued.
7. Certified copy of last examination of society.

Fees Upon Entry

Filing financial statement	$25 00
Filing charter or articles of association	10 00
Filing power of attorney or legal agent	2 00
Annual permit	5 00

Annual Fees

Filing annual statement	25 00
Annual permit	5 00

The payment of entry fees entitles society, if permitted to enter, to transact business for the insurance year without further fees.

Illinois

Fees:	
Filing the declaration or certified copy of charter	$30 00
Filing annual statements except fraternal societies	10 00
Filing annual statements, fraternal societies	5 00
Agent's license (one to a firm)	2 00
Publishing annual statement:	
Life companies	105 00
Fire, marine and casualty companies	80 00
Issuing licenses to fraternal societies	10 00

The department does not issue annual licenses or certificates of authority to insurance companies. The license which is issued when company is admitted to state continues its authority to do business in the state until company fails to comply or the license is revoked.

Taxes.— The net receipts of all companies are taxed locally as personal property. An additional 2 per cent. of gross receipts of fire and marine companies may be levied by cities having fire departments.

Retaliatory provisions for other taxes.

Publication.—Annual statement of fire, marine, fidelity, surety and casualty insurance companies must be published in two newspapers, one in Springfield and the other in Chicago, for fifteen days, charge $80.

Life insurance companies are required to publish annual statement in two newspapers, one in Springfield and the other in Chicago, for one month, charge for same $105.

Publications attended to by this department.

Fees

§ 27. There shall be paid by every company, association, person or persons, or agent, to whom this act shall apply, the following fees: For filing the declaration or the certified copy of a charter herein required, the sum of thirty dollars; for filing the annual statement required, ten dollars; for each certificate of authority to agents of companies or associations not incorporated under the laws of this state, two dollars; for each certificate of authority to agents of companies incorporated under the laws of this state, fifty cents.

Fire Marshal Tax.— One-fourth of one per cent. of gross premium receipts.

Indiana

Fees:

Filing and examining annual statement	$25 00
Certificate of authority	5 00
Agent's license (individual or firm)	3 00
Two copies of statement for publication	2 00

Taxes.— Three per cent. of gross premiums received in the state less losses paid in the state, and return premiums on can-

celled policies. Abstracts of annual statements published twice in two newspapers. Attended to by the department.

Assessment Life and Casualty Companies

Fees:

On admission	$45 00
Filing annual statement	25 00
Agent's license	1 00

Publication:

All companies, per year	48 00

Iowa

Fees:

Filing copy of charter or articles of incorporation	$25 00
Filing annual statement	20 00
Certificate of authority renewed annually	2 00
Agent's license (one to each member of a firm)	2 00
Two certificates of authority for publication (fire and casualty companies)	4 00
One certificate of authority for publication (assessment associations)	2 00
Filing statement and issuing certificate of authority, fraternal societies (no other fees)	25 00

Taxes.— Two and one-half per cent. of the gross amount of premiums received for business done in the state, including all insurance upon property situated therein, *less the amount of premiums returned upon cancelled policies issued upon property situated in the state.* (Fire companies only.)

Two and one-half per cent. of gross premiums received in the state. (Life, fidelity and casualty companies only, without deduction.)

Publication.—Abstracts of annual statements of fire, fidelity and casualty companies are required to be published by the auditor of state once in two newspapers. Fee fixed by law at $6 for each publication.

Certificates of authority to assessment associations are required to be published once a week for four weeks in some newspaper of general circulation. Fee not fixed, but the usual charge is $12.

Retaliatory provisions for greater charges by other states.

Kansas

Fees on Application for Admission:

Fraternal beneficiary societies	$25 00
Assessment life and accident insurance companies	115 00

Annual Fees:

All other insurance companies	156 00
Annual license, annual statement and certificate of authority for assessment life and accident companies	115 00

On Filing Annual Statement:

Fraternal beneficiary societies	20 00
All other insurance companies	50 00
Agent's license (one to each member of firm)	2 00
School fund fee to fire, life and miscellaneous insurance companies.	50 00

Taxes.— Two per cent. of gross premiums collected in the state.

Companies of other countries, 4 per cent. of gross premiums collected in the state. Allowance is made for return premiums on cancelled policies.

Fire companies pay in addition, 2 per cent. of gross premiums collected in cities having fire apparatus worth $1,000.

Retaliatory provisions for other or greater charges by other states.

Kentucky

Fees:

Filing copy of charter or articles of incorporation	$30 00
Filing annual statement	25 00
Agent's license (life), each member of firm	5 00
Agent's license (fire), each member of firm	2 00
Agent's license (all other companies), each member of firm	3 00
Seal of office with certificate	1 00

Copy of records, 20 cents per folio.

Valuing life insurance policies, one cent on each $1,000 of insurance.

Taxes.— Insurance companies of other states and foreign countries, 2 per cent. of gross premiums received in the state. (Fire and miscellaneous companies deduct return premiums and reinsurance in authorized companies.)

Fire insurance companies also pay one-third of one per cent. on their gross premium receipts to defray the expenses of the fire marshal's department. This tax to be collected by the insurance commissioner as other taxes on insurance companies are collected.

Fire insurance companies, by an act approved March 4, 1912, henceforth will have to pay annually into the department for the support and maintenance of state insurance board twenty-five thousand dollars, less any unused balance of the year before, each company to pay such proportion of the amount as the gross premiums collected by the company during the preceding year from persons or upon property located in Kentucky bears to the aggregate amount of gross premiums so collected by all insurance companies transacting business in Kentucky; provided that in computing such gross premium receipts there shall be deducted therefrom the amount paid out for reinsurance and for return premiums on cancelled policies. Purely mutual profit-sharing and co-operative companies and associations are exempt from this charge.

Retaliatory provisions for other or greater charges by other States.

Louisiana

Fees.—But one state license is required. It is based on the gross premiums received in the state. (Fire insurance companies deducting return premiums and reinsurance in authorized companies.) For companies entering the state between January and July license is computed on the business done during the first two months, multiplied by six. Companies entering the state after July pay half-yearly license. Every municipal corporation, where an agent is domiciled, may collect the same license as the state; the city of New Orleans is the only one demanding it.

The following table shows the graded licenses of fire and marine companies:

$10,000 or less	$150 00
$15,000 and less than $20,000	225 00
$20,000 and less than $30,000	300 00
For each additional $10,000 or part, until the receipts amount to $300,000	150 00

Life insurance companies, $30,000	120 00
For each additional $10,000, or part, until receipts amount to $1,500,000	60 00
Certificate of authority	10 00
Agent's license (one to a firm)	2 00
Filing annual statement	15 00
Seal of office with certificate	1 00

Copying or recording, 25 cents per hundred words.

Benevolent or Fraternal Associations

Benevolent or fraternal societies or associations, employing solicitors or agents, pay for licenses as follows:

When gross annual receipts amount to $50,000 or more	$375 00
$40,000 and less than $50,000	300 00
$30,000 and less than $40,000	225 00
$20,000 or less	150 00

Publication.—Abstract of annual statement of fire companies, showing Louisiana business, must be published for thirty days in two newspapers. The company makes its own publications and selects the newspapers for publication.

Fire Marshal Tax.— Two-fifths of 1 per cent. of gross premium of fire insurance companies to defray fire marshal's expenses.

Maine

Fees:

Certificate of authority on admission, renewable July 1st (renewal not required of fraternal associations)	$20 00
Agent's license, renewable July 1st (firms $2 for each member)	2 00

Taxes.— One and one-half per cent. of gross premiums received in the state less return premiums, premiums on reinsurance in authorized companies and premiums on farm property.

Fraternal associations pay no taxes.

Retaliatory provisions for other or greater charges by other states.

Publication.— All companies except life and assessment and fraternal associations are required to publish abstracts of annual statements once a week for three weeks in each county in which there is an agency. No charge fixed.

Maryland

Fees:

Certificate of authority, life companies	$300 00
Certificate of authority, fire and marine companies	25 00
Certificate of authority, casualty and surety companies of foreign countries (not required of similar United States companies)	100 00
Certificate of authority, fraternal beneficiary associations	25 00
Filing charter or articles of incorporation	25 00
Filing statement	25 00
General agent's license (any company)	10 00
Sub-agent's license, fire and marine companies (one to a firm)	10 00
Sub-agent's license, life and casualty companies (one to a firm)	2 00
Abstracts for publication (two in Baltimore and one in each county where company was represented in preceding year), each.	2 00

Taxes.— Fire and marine companies, two per cent. of gross premiums received in the state, or on Maryland risks, less return premiums and reinsurance in authorized companies.

Life and casualty companies, one and one-half per cent. of all premiums contracted to be paid or actually collected, received, allowed or secured in the state, or from residents thereof.

Fraternal beneficiary associations are not taxed on premium receipts.

Publication.—Abstracts of annual statements are published by the department once a week for three consecutive weeks in a daily newspaper published in the city of Baltimore. The companies must in addition publish said abstract in another paper three times. Every company doing business in any of the counties of the state is also required to publish an abstract of its annual statement in at least one newspaper in each county in which it transacted business in the preceding year.

Unauthorized Insurance.— Holders of policies in unlicensed companies are required to file with the commissioner a statement describing the policies, and to pay thereon a tax of 5 per cent. of the premiums, also $1 on each policy for making record. Persons who file an affidavit setting forth that they are unable to obtain insurance in licensed companies are required to pay only the fee for recording, and are exempt from the premium tax.

Massachusetts

Fees:

Filing copy of charter	$30 00
Filing statement on admission	20 00
Filing annual statement	20 00
Agent's license, renewable July 1st in each year, one to a firm (not required of assessment and fraternal companies)	2 00

License to company expires June 30th. No fee for renewal of same except retaliatory.

No fee for valuing life policies of foreign companies except under retaliatory provision.

Fraternal orders, after January 1, 1912, are to pay $20 for certificate of authority and for each renewal.

Retaliatory provisions for other or greater charges by other states.

Taxes.—(The collection of taxes is by tax commissioner and not insurance department.)

Life companies, one-fourth of 1 per cent. on net value of Massachusetts policies; also retaliatory premium tax.

Fire and marine companies, two per cent. of premiums less reinsurance if effected through a Massachusetts licensed agent in authorized companies, returned premiums and unused balances on notes taken for premiums on open policies.

All other companies, two per cent. of premiums with deductions as above.

Assessment and fraternal companies are not taxed.

Michigan

Fees.— Retaliatory provisions govern all fees.

Taxes.— Fire and marine companies, 3 per cent. of gross premiums received in the state, less return premiums and reinsurance premiums *received* when the tax has been paid on the original premium.

All other companies, 2 per cent. of gross premiums received in the state.

Assessment associations pay no taxes.

Publication.— Statement of fire companies required to be published on admission only.

Minnesota

Fees:

Filing copy of charter or articles of incorporation	$30 00
Filing annual statement	20 00
Certificate of authority	2 00
Renewal certificate of authority	2 00
Agent's license (one to each member of a firm)	2 00
Renewal of agent's license	2 00
Valuing life policies, one cent for each $1,000 valued, except in case of assessment policies valued as yearly renewable term, when charge shall be $10 per day.	
Three abstracts of annual statement for publication	10 00
License to place insurance with unauthorized companies	10 00
Broker's license	10 00
Accepting valuations of policies of other states	50 00
Filing certified copy amendment to articles of incorporation	10 00
For each certificate including certified copy of certificate of authority, renewal, valuation of life policy, corporate condition or qualification	1 00
For receiving and forwarding a copy of summons or other process served upon commissioner of insurance, as attorney for any insurance company	2 00
Copy of records, 20 cents per folio and $1 for certifying same.	

(Provided, that, when by the laws of any other state or nation any fines, penalties, license or fees additional to, or in excess of those imposed by this state upon foreign insurance companies and their agents, are imposed upon insurance companies of this state or their agents, doing business in such state, the same fines, penalties, licenses, and fees shall be imposed upon all insurance companies of such state and their agents doing business in this state, so long as such laws remain in force.)

Taxes.—Two per cent. of the "gross" premiums less return premiums "on all direct business" received by any foreign or domestic company, except town and farmers' mutual insurance companies, in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year. In the case of every domestic company such sums shall be in lieu of all other taxes except those upon real property owned by it in this state. In the case of every foreign company such sums shall be in lieu of all other taxes, except those upon real and personal property owned by it in this state.

In addition every foreign fire company doing business in any city wherein a salvage corps has been established pursuant to law for which such company or its agents for it are not otherwise sub-

ject to taxation, shall at the same time pay to the treasurer of the duly authorized board of underwriters therein a tax equal to 2 per cent. of the gross amount of premiums received by it, or for it, in such city.

The above mentioned taxes shall not apply to any corporation, association, or society engaged in the business of life insurance upon the co-operative or assessment plan, or to any such corporation, society or association, engaged in the business of casualty insurance upon the co-operative or assessment plan.

One-fourth of 1 per cent. of net premiums of fire insurance companies for fire marshal.

Publication.— When the statement of an insurance company has been approved by the commissioner, a summary of such statement, prepared by the commissioner, together with his certificate of approval, shall be published, and proof of publication filed with him before May 1st following, in default whereof he shall have such publication and proof made at the expense of the company. The publication shall be made in the place of the company's home office, if within the state, otherwise in each of the three most populous counties of the state, and in all cases at least three times, and in a daily newspaper, conforming to the requirements of section 5515, Revised Laws, 1905, which will accept and publish such advertisement, at the rates prescribed by law for legal publications, if there be one, but if not, then in a weekly newspaper having a general circulation in the county of its publication. Such newspaper shall be entitled to charge and receive for such publication not to exceed the rate prescribed by law for legal publications.

Fraternal Orders

Fees:

Certificate of authority or renewal	$10 00

(No charge for filing copy of charter or articles of incorporation, or any amendment thereto. Statement required to be filed, but no abstract thereof to be published.)

Mississippi

Fees:

Filing charter or articles of incorporation (fraternal orders only)	$25 00
Filing preliminary statement	20 00
Filing annual statement	10 00

Filing any other paper required by law	$1 00
For each license issued to a life or fire insurance company or association, or to any company or association of companies operating a separate or distinct plant or agency in the state, or for each license issued to an accident, marine, surety, plate glass, or any other insurance company or association	100 00
Privilege license fraternal orders	25 00
Privilege license all other companies	100 00
Certificate of authority, general agents	3 00
Certificate of authority, agent's	2 00
Certificate of compliance	2 00
Designation of commissioner for service of process	1 00
Service on commissioner	2 00
Examination, in addition to expenses incurred per diem	25 00
Copy annual statement	5 00
Publication of annual statement	9 00
Abstract of annual statement for filing with chancery clerk	2 00

Copy of records, 10 cents per 100 words.

Taxes.— Life companies, 2¼ per cent. of gross premium receipts in the state less death claims, matured endowments, and cash dividends paid under policy contracts in the state during the year.

All other companies, 2½ per cent. of gross earnings less return premiums.

Fire companies pay one-fifth of 1 per cent. for fire marshal tax.

Fraternal orders pay no premium taxes.

Missouri

Fees on Admission:

Assessment life and accident companies	$50 00
Stipulated premium companies	25 00
Fraternal beneficiary associations	5 00
All other companies (including certificate)	61 00

Annual Fees:

Filing annual statement (United States fire and marine companies)	30 00
Regular life and miscellaneous companies	30 00
Filing other papers	10 00
Filing annual statement and issuing certificate of authority, stipulated premium companies	25 00
Filing annual statement and issuing certificate of authority to assessment life and accident companies	50 00

Filing annual statement and issuing certificate of authority to fraternal beneficiary associations	$5 00
Certificate of authority, fire, regular life and miscellaneous stock companies, annually	1 00
Certificate of authority, all other companies, annually	1 00
Agent's license, stipulated premium companies	1 00
Agent's license, all other companies and associations	2 00
Agent's license, unauthorized companies	10 00
Broker's license	10 00

Reciprocal provisions govern agents' licenses and all other fees.

Taxes.— Stipulated premium companies 1 per cent. of gross premiums received in the state.

The agent or agents of any fire insurance company doing business in any city in the state having a population of more than 100,000 inhabitants, in addition to the tax on premiums, shall pay to the collector of said city (if said city shall so declare by ordinance) on or before the first day of February of each year not more than $100 for the use of said city, which shall be considered in full for and in lieu of all taxes and licenses which said city may possess the power to impose on said agent.

All other companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies. In collecting the 2 per cent. tax of casualty or fidelity insurance companies, no credit is given for reinsurance.

Agents pay 5 per cent. of premiums on "excess lines," and 2 per cent. of premiums on insurance in unauthorized companies.

Retaliatory provisions for other or greater charges by other states.

Montana

Fees:

Filing charter and examination of papers on admission	$300 00
Filing annual statement	25 00
Agent's license	5 00
Publishing auditor's certificate of authority	9 00

A certificate of authority is issued to each company at the beginning of the year authorizing them to transact business during that year upon payment in advance of $125, which is 2½ per cent. tax on $5,000 in premiums; on premiums in excess of $5,000 a tax of 2 per cent. is charged. Companies which write more than

this are required to renew the certificate as they approach an excess of this amount. Fire and miscellaneous insurance companies are permitted to deduct return premiums on canceled policies in making their return of gross premiums upon which the tax is charged.

Publication.— Auditor's certificate of authority including condensed statement of company, only publication required. Publication attended to by auditor.

Nebraska

Fees on Admission:

Fire, life and miscellaneous companies	$50 00
Fraternal beneficiary associations	20 00
Stipulated premium and assessment associations	25 00

Annual Fees:

Filing annual statement, fraternal orders	10 00
Filing annual statement, all other corporations	20 00
Certificate of authority, except fraternals (annual)	2 00
Agent's license (individual)	2 00
Two certificates of authority for publication	2 00

Taxes.— Section 58. Each and every fire insurance company organized under the laws of any other state or country and transacting business in this state, shall be taxed in the county, town, city, village and school district where the agent conducts the business, upon the gross amount of premiums received by it for insurance written upon property within the state during the preceding year. Such gross receipts to be taken as an item of property of that value and to be assessed and taxed on the same percentage of such value as other property. The agent shall render the list and be personally liable for the tax. If he refuses to render the list, or to make affidavit that the same is correct, the amount may be valued and assessed according to the best information of the assessor.

Fire insurance companies are taxed three-quarters of 1 per cent. of gross premium receipts to defray expenses of fire marshal.

All other companies, except assessment and fraternal beneficiary associations, 2 per cent. of gross premiums received in the state.

No allowance is made for return premiums on cancelled policies, or for reinsurance.

Publication of abstracts of statements of all companies, except fire and fraternal, is required. Publication to be made once in two newspapers, one of which is published in the state capital; the companies make their own contracts.

Note.—We are advised by the auditor of the Insurance Department that in collecting taxes under section 33 of chapter 3897 (Reciprocal Law) credit is given for local taxes paid against the reciprocal percentage tax.

Nevada

Fees:

Filing power of attorney	$5 00
License, casualty and surety companies	20 00
License, all other companies	100 00

Fraternal associations pay no fees.

Publication.— Copy of annual statement must be published by the company. Cost, $20.

No agent's license required.

New Hampshire

Fees:

Filing copy of charter and by-laws	$25 00
Filing statement with application and each annual statement	15 00
Filing statement with application and each annual statement (fraternal associations)	5 00
Certificate of authority (renewed annually)	5 00
Agent's license (one to each member of a firm)	2 00
Service of legal process	2 00
Certificate . .	1 00

Taxes.— Fire, fidelity, casualty and assessment accident insurance companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies, if effected by licensed resident agents.

Life companies 2 per cent. upon gross premiums received upon business within the state during the year less payments to residents of the state on account of death losses paid within the year. *Provided, however,* that the tax assessed upon any such life company shall not be less than an amount equal to 1½ per cent. of

the gross premiums received by it upon business done within the state during the year.

Retaliatory provisions for other or greater charges by other states.

New Jersey

Fees.

Filing copy of charter	$20 00
Filing statement on admission	20 00
Filing annual statement	20 00
Agent's license (one to a firm)	2 00

Renewal certificate of authority to insurance companies required. No fee is charged for such renewal certificate except under retaliatory provisions of the law.

Other or greater fees governed by retaliatory provisions, except as to assessment life companies.

Fraternal Beneficiary Associations

Fees:

Filing copy of charter	$10 00
Filing annual statement	5 00
License (required on admission only)	5 00

Taxes.— Life companies are not taxed except in retaliation.

All other companies, 2 per cent. of gross premiums received in the state less return premiums and reinsurance premiums paid. Credit is allowed for payments to firemen's relief association by fire insurance companies. Retaliatory provisions as to greater taxes.

Fraternal beneficiary and assessment life associations are not taxed.

Publication.— Retaliatory provisions govern.

New Mexico

Fees:

On admission	$150 00
Filing annual statement	20 00
Certificate of authority (annual)	2 00
Agent's license after February 1, 1909 (each member of firm required to have license)	2 00

Copy of records, 20 cents per folio and $1 for seal.

Taxes.— Two per cent. of gross premiums received in the state less returned premiums.

Fraternal Associations

Fees:

Filing annual statement	$5 00

Taxes — None.

Deposit.— Fire companies must deposit $10,000 in cash or prescribed securities.

Surety companies writing official bonds must also deposit $10,000 in cash or prescribed securities.

Retaliatory provisions for other or greater charges by other states or territories.

North Carolina

Fees:

On admission	$44 00
Filing and publishing annual statement	23 00
Annual fees, payable April 1	10 00
Certificate of authority, life companies	250 00
Certificate of authority, fire, marine and accident companies	200 00
Certificate of authority, all other companies or associations	100 00
Certificate of authority, fraternal orders	25 00
Special or district agent's license	3 00
Local or canvassing agent's license (individual)	1 00
Organizer's license for fraternal orders	3 00

Taxes.— Two and one-half per cent. of gross premiums on all direct business received in the state less return premiums.

Fire insurance companies are taxed in addition to the above, one-fifth of 1 per cent. (semi-annually) of their gross receipts to defray expenses of investigation of incendiary fires and enforcing building laws.

Return premiums deducted in making tax returns.

Abstract of statement published in one paper two times.

No license taxes or fees collected by counties, cities, or towns.

Tax of one-half of 1 per cent. on the receipts of fire companies in towns and cities complying with the state building law and having fire departments, and at least $1,000 equipment, for a firemen's relief fund.

Fraternal orders are not taxed on receipts.

Publication.— The law requires the commissioner to make and publish an abstract of all financial statements. He collects a fee of $9 for this purpose. This fee is included in the admission fee of $44, and in the fee for filing annual statement of $23. The general agents of the companies are permitted to select the newspapers if they do so within thirty days after filing the statement.

The annual license fee for companies entering the state, when over $25, is prorated for the unexpired portion of the fiscal year.

North Dakota

Fees:

Filing articles of incorporation	$25 00
Filing annual statement	10 00
Certificate of authority	2 00
For each copy of abstract for publication	2 00
Agent's license (one for each member of a firm or corporation)	2 00
Filing annual report of fraternal beneficiary associations and issuing permit	15 00

Copy of records, twenty cents per folio and $1 for seal.

Retaliatory provisions for other or greater charges by other states.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies.

Publication of statement in each judicial district where company has agents or transacts business. Attended to by department.

Ohio

Fees:

Filing copy of charter or articles of incorporation	$25 00
Filing annual statement	20 00
Certificate of authority, co-operative or assessment associations	1 00
Certificate of authority, all other companies	2 00
Agent's license, co-operative or assessment associations (partnerships licensed same as individuals, but corporations and each officer or agent soliciting insurance must have separate license).	1 00
Agent's license, all other companies (partnerships and corporations licensed same as above)	2 00
Certificate of compliance, for publication (one for each county in which there is an agent)	1 00
Copy of papers, twenty cents per folio.	
Certifying and affixing seal	1 00

Co-operative or assessment associations may pay $25 for licenses for all agents for the year without further charge.

Fraternal Beneficiary Associations

Fees:

Filing annual statement and all other papers and issuing license..	$25 00

Taxes.— Two and one-half per cent. of gross premiums received from policies covering risks written in the state, less return premiums paid and reinsurance premiums *received.* Fire companies pay, in addition, one-half of 1 per cent. of gross *fire* premiums received in the state, less return premiums paid and reinsurance premiums *received,* for the maintenance of the office of state fire marshal.

Co-operative or assessment and fraternal beneficiary associations are not taxed.

Retaliatory provisions for other or greater charges by other states.

Publication.— Certificate of compliance which contains abstract of statement must be published by the company in each county of the state where the company has appointed agents, in a newspaper of general circulation approved by the department on or before October 1st.

Oklahoma

Annual Entrance Fees (Article 19, Constitution):

Foreign life insurance companies	$200 00
Foreign fire insurance companies	100 00
Foreign accident and health insurance companies, jointly	100 00
Foreign surety and bond companies	150 00
Foreign plate glass companies, not accident	25 00
Foreign live stock insurance companies	25 00
Foreign fraternal companies	5 00

Fee for Filing Annual Statement.— Foreign life and miscellaneous, reciprocal; foreign fire, reciprocal.

Agents' Certificates of Authority:

Foreign companies, one for each member of firm	$3 00
Domestic companies	50

Taxes.— On gross premiums, cancellations and reinsurances in authorized companies deducted: Two per cent. per annum (article 19, section 2, Constitution). Life insurance companies deduct dividends paid to policyholders in making tax return.

Fire marshal tax, one-fourth of 1 per cent. of gross premiums.

Copies of Papers:

Per folio	$0 20
Affixing seal	1 00

Oregon

Fees:

Filing title (fire companies only)	$5 00
Filing power of attorney (all companies)	5 00
Filing annual statement, mutual fire companies	10 00
Filing annual statement, all other companies	5 00
Annual license, fire and marine companies	150 00
Annual license, life, accident, casualty and surety companies	100 00
Issuing certificate of deposit, fire, marine and surety companies	5 00
Certificate of authority, fire, life, casualty, surety and accident companies	5 00
Agent's certificate of authority, fire companies (expire Dec. 31st of each year)	1 00
Agent's license, life companies (annual)	5 00
Agent's license, casualty, marine, fidelity and surety and all miscellaneous companies	1 00

Custody of deposit, fire companies, one-eighth of 1 per cent.

Taxes.— Two per cent. of gross premiums received in the state, less return premiums, losses paid and reinsurance premiums paid to authorized companies.

Pennsylvania

Fees:

Filing copy of charter	$25 00
Filing annual statement	20 00
Certificate of authority, renewed annually	2 00
Agent's license (one to each member of a firm)	2 00

Assessment Life, Sick Benefit and Accident Associations

Fees:

Filing annual statement	$20 00
Certificate of authority, annually	2 00
Agent's license	2 00

Retaliatory provisions for other or greater charges by other states.

Taxes.— Two per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies.

Assessment life, sick benefit and accident associations are likewise taxed at same rate.

Rhode Island

Fees:

Filing copy of charter or deed of settlement	$30 00
Filing preliminary statement	20 00
Filing annual statement	20 00
Agent's license (one to a firm)	2 00
Broker's license	10 00
Printing and distributing abstract of annual statement (fire and accident companies only)	1 00

The original certificate of authority to a company is good until revoked; an annual fee, therefore, for renewal, is not required.

Taxes.— Stock companies, two per cent. of gross premiums received in the state less return premiums and reinsurance in authorized companies, unless there is a contract with the reinsuring company.

Mutual companies, one per cent. of premiums collected in the state.

Retaliatory provisions for other or greater charges by other States.

Publication.— Life companies are required to publish abstract of annual statement once a week for three successive weeks in March, in some newspaper published in the county in which the general agency is located.

Agents of fire companies and general agents of life and accident companies are required to file bonds with the general treasurer, in such sums as he may designate. A bond of $200 is required of agents of fire and accident companies, and from $500 to $1,000 of agents of life companies.

South Carolina

Annual Admittance License Fees for Companies of Other States and Countries to do Business:

Annual state license fee for all companies	$100 00
Annual insurance department license fees as follows:	
Life insurance	50 00
Fire insurance, including marine	40 00
Marine insurance only	15 00
Accident and health insurance	40 00
Casualty insurance (which is taken to mean all forms of indemnity to the insured for loss on account of damage to things or to persons other than himself)	40 00
Surety insurance (which means all forms of indemnity to the insured on account of misfeasance, default or debt of another)	40 00
All forms of insurance, not included above	50 00

Additional License Fees

On June 30th and December 31st each year all companies are required to pay 2 per cent. on premiums collected, less dividend credits and return premiums. If one-quarter of the reserve on South Carolina policies is invested in state, county and municipal bonds, first mortgage bonds of real estate, first mortgage bonds of solvent domestic corporations, whose property is situate entirely within the state, a reduction of one-fourth of 1 per cent. is allowed; so that, if the full reserve is so invested, this additional license fee is 1 per cent. on premiums collected, less dividend credits and return premiums. No other state and county taxes are assessable. Municipal license fees are permitted.

Fire companies pay a firemen's fund tax of 1 per cent. on premiums collected in towns having a fire department and fire apparatus of $1,000 and upwards value.

Fire companies pay in addition a fire inspection tax of one-tenth of 1 per cent. of gross premiums received in the state, payable semi-annually to the insurance commissioner.

South Dakota

Fees:

Filing articles of incorporation or charter	$25 00
Filing annual statement	25 00
Agent's license	2 00
Copy for publication (not required of fraternal orders)	2 00
Companies' license, annual	2 00
Agent's license, fraternal	50

Copies of records, twenty cents per folio and $1 for seal.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums on cancelled policies and reinsurance in authorized companies. Also fire marshal tax of one-half of 1 per cent. on net fire premium receipts. Assessment companies, 2 per cent. of gross premiums received. Not required of fraternal organizations. Stock and old line life companies, tax of 2½ per cent.

Publication.— Annual statement must be published in each judicial district in which there are policies issued. Not required of fraternal orders. Attended to by department.

Retaliatory provisions for other or greater charges by other states.

Tennessee

Fees on Admission:

Collected by the insurance department:

Fraternal orders	$10 00
All other companies	30 00

Collected by the secretary of state:

Filing copy of charter of all companies and fraternal orders	20 00

Tax for Filing Copy of Charter of All Stock Companies Graded as Follows:

Companies of $50,000 and less	$50 00
Companies of over $50,000 and less than $100,000	100 00
Companies of $100,000 and less than $200,000	150 00
Companies of $200,000 and less than $300,000	200 00
Companies of $300,000 and less than $400,000	250 00
Companies of $400,000 and less than $500,000	300 00
Companies of $500,000 and less than $750,000	400 00
Companies of $750,000 and less than $1,000,000	500 00
Companies of $1,000,000 and less than $2,000,000	750 00
Companies of $2,000,000 and less than $5,000,000	1,000 00

Companies of $5,000,000 authorized capital stock and over shall pay $1,500; provided that any company chartered under the laws of another state desires to locate its principal office and do all of its business in and from Tennessee and have all or its main prop-

erty holding in Tennessee, it shall then pay a privilege tax of one-tenth of 1 per cent. on the authorized capital stock, just as domestic corporations are now required to do; provided, also, that insurance companies shall be credited by the amount of fees paid to the insurance commissioner upon entering the state to do business.

Annual Fees:

Filing annual statement, life companies	$25 00
Filing annual statement, fraternal orders	10 00
Filing annual statement, all other companies	15 00
Certificate of authority (one to each member of a firm)	2 00

Valuing life policies, two cents for each $1,000 of insurance in force.

Taxes.— Two and one-half per cent. of gross premiums received in the state, less return premiums and cash dividends, payable semi-annually.

Each agent must pay the following occupation tax:

Beginning business in first quarter of the year	$10 00
In second quarter	7 50
In third quarter	5 00
In fourth quarter	2 50

Fraternal orders pay no taxes and are not permitted to employ agents.

Copy of records, twenty cents per folio and $1 for seal.

No publication required.

Texas

Fees:

Filing charter, or amendment, or certified copy of same	$25 00
Filing annual statement	20 00
Issuing license	1 00
Two certificates of compliance for publication, 50 cents each	1 00
General agent's state occupation tax	50 00

(General agents of life companies pay no tax.)

Fraternal Beneficiary Associations

Fees:

Certificate of authority	$10 00
Solicitor's or deputy's license	1 00

Taxes.— Two and six-tenths per cent. of gross premium receipts of fire, marine, casualty, credit guarantee and miscellaneous companies.

Three per cent. of gross premium receipts from life insurance companies, provided, however, that if 30 per cent. of the reserve apportioned on account of policies of insurance written upon lives of citizens of Texas is invested in promissory notes or other obligations secured by mortgage, deed of trust or other lien on Texas real estate, the tax shall be 2.6 per cent.; and when 60 per cent. of its total Texas reserve has been so invested, the tax shall be 2.3 per cent., and when 75 per cent, of its total Texas reserve has been so invested the tax shall be reduced to 2 per cent.

Publication.— Certificate of compliance must be published by company for three successive weeks in two newspapers.

Utah

Admission Fees:

Filing certified copy of articles and by-laws	$50 00
Filing acceptance of the provisions of the Constitution	3 00

Annual Fees:

Filing annual statement	50 00
Filing list of authorized attorneys	1 00
Preparing abstract of annual statement for publication	5 00
Certificate of authority, renewable annually	5 00
Agent's license (one to a firm)	2 00

Taxes.— All insurance companies engaged in the transaction of business of insurance in this state shall annually, on or before the first day of March in each year, pay to the commissioner of insurance 1½ per cent. of the gross amount of premiums received less the amount of all premiums returned, within this state, during the year ending the previous 31st day of December; provided, that if any insurance company shall have paid a property tax during said year, it shall be entitled to deduct from the tax therein provided the amount of such property tax paid for general state purposes.

Publication.— Abstracts of statements must be published four times within thirty days after issuance of company's certificate of authority in each year. Companies may select the papers in which publication is made, but they must be of those published at the capital.

Vermont

Fees:

Filing copy of charter	$30 00
Filing annual statement	20 00
Certificate of authority (renewed annually)	5 00
Agent's license (one to each member of a firm)	2 00

Fraternal Beneficiary Associations

Fees:

Permit to do business	5 00
Filing charter	5 00
Filing annual statement	5 00
Filing any additional papers required by law	25

Retaliatory provisions for other or greater charges by other states.

Taxes.— Two per cent. of premiums and assessments received in the state, less return premiums, cash dividends paid to policyholders in the state and reinsurance in authorized companies on risks for which the full premium has been collected by the company making the return.

A franchise tax of $10 for the first $50,000 of capital or deposit, and $5 for each additional $50,000, or part thereof, the whole not to exceed $50, is collected from stock companies.

Virginia

Fees on Admission:

Stock companies with $50,000 or less	$30 00
Stock companies with $50,000 and not to exceed $1,000,000, 60 cents per thousand or fraction thereof.	
Over $1,000,000 and not to exceed $10,000,000	1,000 00
Over $10,000,000 and not to exceed $20,000,000	1,250 00
Over $20,000,000 and not to exceed $30,000,000	1,500 00
Over $30,000,000 and not to exceed $40,000,000	1,750 00
Over $40,000,000 and not to exceed $50,000,000	2,000 00
Over $50,000,000 and not to exceed $60,000,000	2,250 00
Over $60,000,000 and not to exceed $70,000,000	2,500 00
Over $70,000,000 and not to exceed $80,000,000	2,750 00

Over $80,000,000 and not to exceed $90,000,000	$3,000 00
Over $90,000,000	5,000 00
Mutual companies	50 00
Filing charter, per folio	0 50
Recording power of attorney	1 00
Seal	5 00

Annual Fees:

Specific license tax, live stock companies	100 00
Specific license tax, all other companies	200 00
Additional license to foreign and domestic companies	5 00
For a license granted for less than a year the specific tax thereon shall bear such proportion to the whole specific annual tax as the space of time between granting the same and the 30th day of April bears to the whole year.	
Agent's registration fee for each company represented	1 00

Annual Registration Fees:

Mutual companies and companies with capital of $15,000 or less	5 00
Stock companies with capital of $15,000 to $50,000	10 00
Stock companies with capital of $50,000 to $100,000	15 00
Stock companies with capital of $100,000 to $300,000	20 00
Stock companies with capital of more than $300,000	25 00
For copies of records, per page	20
Tax on seal	1 00

All licenses expire on the 30th day of April, except fraternal beneficiary associations, which expire December 31st.

Certificates of registration expire July 15th.

Taxes.— Sick benefit companies, one-half of 1 per cent.; life, health and live stock companies, 1.4 per cent. of gross premiums or assessments received in the state or obligations taken therefor, during the previous year.

All other companies 1¾ per cent. of such receipts or obligations.

Stock or legal reserve fire insurance companies whose gross premium receipts less return premiums upon cancelled policies shall not exceed $100,000, shall pay a sum equal to 1.4 per cent. upon the gross income.

Purely mutual fire insurance companies not designed to accumulate profits for the stockholders or members, chartered by and doing business solely in this state, and legal reserve life insurance companies whose entire premium income upon all its business does not exceed $500,000, shall pay 1 per cent. upon gross premium collections without any deduction for dividends paid or premiums returned.

One-tenth of 1 per cent. (or less, at discretion of the commissioner) of gross premiums or assessments received in the state or obligations taken therefor during previous year for maintaining the bureau of insurance.

Deposit.—Stock companies, except those doing marine business only, are required to deposit securities to the amount of 5 per cent. of capital; but such deposit shall not be less than $10,000, and need not be more than $50,000. The amount of deposit required of mutual companies is fixed by the state corporation commission, and shall pay to the state treasurer an annual fee of one-twentieth of 1 per cent. of the deposit.

Publications not required. Retaliatory provisions prevail.

Washington

Entrance of Authorization of All Companies Except Fraternal Associations:

For filing articles of incorporation or charter, or certified copy of articles or charter, by-laws or other record of organization	$25 00
For issuing certificate of authority	10 00
Filing appointment of attorney to accept service	1 00
Total	$36 00

Annual and Miscellaneous Fees:

Certificate of authority (renewable annually)	10 00
Filing annual statement of condition and report of Washington business	20 00
Filing amended articles of incorporation or charter	10 00
Filing miscellaneous papers (each)	1 00
Certificate under seal	1 00
Certified copies of papers (per folio)	20

Agents' Licenses:

Agent's license (fire, life or miscellaneous)	2 00
Solicitor's license (fire, life or miscellaneous)	2 00
Broker's license	100 00
Agent's license to act for unauthorized companies	100 00

Note: Agent's license may be issued to a firm or corporation and if so issued must bear the name of each member of the firm or corporation who participates in writing insurance therefor. Licenses may be transferred.

Fraternal Beneficiary Associations

Filing articles and issuing certificate of authority upon entrance	$10 00
Annual license or renewal of certificate of authority	10 00

All licenses and certificates of authority expire April 1st.

No advertisement or publication of annual statement required.

Reciprocal laws in force and where fees of other states are greater for like services, as above enumerated, then the greater fee is required.

West Virginia

Fees:

Annual license fee	$10 00
Filing annual report	10 00
Annual fee to state auditor for acting as attorney to accept service of process	10 00
Certificate of valuation	5 00
Certificate of authority to each agent	5 00
For filing each additional paper required by law	25

Taxes.— Two per cent. of gross premiums received on business written or received in the state less premiums returned for cancelled policies.

A tax of one-half of one per cent. upon above premiums of fire companies to defray expenses of fire marshal.

Publication of annual statement not required.

Although two per cent. of gross premiums, etc., is the state tax, no premiums are taxed twice; i. e., in case of reinsurance only one company pays, as determined by the contract of reinsurance between the companies.

Wisconsin

Fees:

Filing annual statement, all companies and associations	$25 00
Publication of application of new companies	10 40

Licenses:

Life, assessment life and stipulated premium companies	300 00
Assessment accident associations	25 00

Agents' Licenses:

Fire and marine companies, one to each member of a firm	1 00
All other companies, one to each member of a firm	1 00

Taxes.—Fire and marine companies 2 per cent. of gross premiums received in the state, on direct business, less return premiums and cancellations on direct business.

Fire companies pay in addition to above three-eighths of one per cent. of gross premiums to defray expenses of fire marshal. Also a tax of two per cent. of all premiums received in cities or towns having fire departments fulfilling standard conditions. Tax must be paid on February 1st, for the preceding year ending January 1st. Casualty and surety companies two per cent. of gross premiums received in the state, without deduction.

Retaliatory provisions for other or greater charges by other states.

Memorandum.— The insurance commissioner of Wisconsin advises that in collecting the one per cent. tax on premiums, charged New York life insurance companies, he will allow a deduction therefrom of the license fee of $300 which may have been collected by him from such companies with the express agreement that the New York insurance department shall not collect said "license fee" from Wisconsin life insurance companies doing business in New York state.

Wyoming

Fees:

Filing statement and charter with application	$50 00
Filing annual statement	25 00
Acceptance of state constitution	2 50
Agent's license	1 00

Copy of records, fifteen cents per folio and fifty cents for seal.

Taxes.— Two and one-half per cent. of gross premiums collected in the state. No allowance for return premiums.

Fraternal and Beneficiary Associations

Fees:

Filing statement and charter with application	$15 00
Filing annual statement	10 00
Acceptance of state constitution	2 50

No taxes or agents' licenses.

Publication of abstracts of annual statements once in two papers, one paper of which must be published at the capital. Companies select the papers.

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